

London County Council.

LONDON AND THE IMPERIAL EXCHEQUER.

London Comptroller

REPORT to the Finance Committee in pursuance of the following reference:—

“Comptroller to bring up to date, and submit to the Committee, the information contained in previous reports with regard to the relations between the Council and the Government in the matter of grants from the Imperial Exchequer.” (Finance Committee, 19th March, 1913.)

H. E. HAWARD,
Comptroller.

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“ Comptroller to bring up to date, and submit to the Committee, the information contained in previous reports with regard to the relations between the Council and the Government in the matter of grants from the Imperial Exchequer.” (Finance Committee, 19th March, 1913.)

(Printed by order of the Finance Committee, 7th May, 1913.)

The question of the financial relations between London and the Imperial Exchequer was last before the Council in a comprehensive form in July, 1911, when the Finance and Local Government Committees took up a joint report, presenting a memorandum of the evidence to be given on behalf of the Council before the Departmental Committee on Imperial and Local Taxation, and recommending the Council to pass a resolution embodying its views on the principal points arising in connection with the matter. The information contained in the memorandum of evidence was supplemental to that contained in the Finance Committee's report of 28th June, 1910, in which the question was dealt with at length, and copies of which were sent to the Departmental Committee at their request. The object of the present report is to bring up to date the information contained in previous reports on the subject and to deal with certain matters which have arisen since the former reports were prepared.

The subject is dealt with under the following main heads :—

- I. Assigned Revenues.
- II. National services administered locally.
- III. Grants from the Road Improvement Fund.
- IV. The land value duties.
- V. Effects of recent and proposed legislation.
- VI. Alleged special advantages enjoyed by London.
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I.—ASSIGNED REVENUES.

(1) THE SYSTEM ESTABLISHED IN 1888.

Prior to 1889 Imperial subventions were made, in the form of direct grants, to various local authorities in aid of specific services; but by the Local Government Act, 1888, a new system was inaugurated, known as “assigned revenues,” whereby certain revenues formerly received into the Imperial Exchequer were assigned to local taxation, most of the grants, except those for elementary education, being at the same time made payable by the county and county borough councils out of the proceeds of the assigned revenues.

The revenues originally assigned to the Local Taxation (England) Account were as follows :—

(i.) Certain excise licence duties, thereafter known as the local taxation licence duties; viz., those on the sale of intoxicating liquors, refreshment house keepers, tobacco and snuff dealers, appraisers, house agents, auctioneers, hawkers, pawnbrokers, plate dealers, game dealers, killing game, dogs, guns, male servants, armorial bearings and carriages (the additional duties on motors were subsequently added).

(ii.) 80 per cent of one-half of the proceeds of the probate duty (11 per cent. being assigned to Scotland and 9 per cent. to Ireland, the proportions being based on the estimated contributions of the three countries to the general revenue of the United Kingdom).

These revenues were distributed among the county authorities on the following bases—

(i.) The licence duties according to the amount collected in each area.

(ii.) The probate duty in proportion to the amount certified by the Local Government Board

to have been received by each area from the discontinued Government grants in the year 1887–8, and provision was made for the allocation to any county boroughs situated in the county area of a proportion of the revenues.

Before the sums thus credited to the various authorities were actually paid to them certain deductions were made, it being provided in the Act (section 27) that when a county council is required to pay any sum into H.M. Exchequer, or to the Treasury, or to the Receiver for the Metropolitan Police District, such sum shall be deducted from the amount payable out of the Local Taxation Account to such county council. The charges met by direct payments out of the Local Taxation (England) Account were—

(a) Half the costs incurred by the Exchequer for the payment of Revising Barristers [County Electors' Act, 1888, section 9, and Local Government Act, 1888, section 76];

(b) Costs of county election petitions [Local Government Act, 1888, section 75]; and

(c) Metropolitan Police grant—four-fifths of the amount raised by rate, then limited to 5d. in the £—deducted from the shares of London, Middlesex, Essex, West Ham, Hertford, Surrey, Croydon and Kent, and paid to the Receiver for the Metropolitan Police District [Local Government Act, 1888, section 24 (2)(k)].

Each county authority was required to keep an account called the Exchequer Contribution Account, into which the sums received from the Local Taxation Account were paid, and out of which specified grants were to be made to the local authorities administering certain services, in substitution for the discontinued grants. The grants payable in London were as follows:—

(i.) Pauper lunatics—4s. a week for every pauper lunatic maintained in an asylum, registered hospital or licensed house in respect of whom the net cost is not less than 4s. a week (payable to guardians of the poor, the Common Council of the City of London, and the special county account).

(ii.) Poor-law medical officers, drugs and medical appliances—half the cost.

(iii.) Teachers in poor-law schools—grants towards salaries, as determined by the Local Government Board.

(iv.) School fees of pauper children sent to public elementary schools outside the work-house.

(v.) Registrars of births and deaths—a fixed grant towards remuneration.

(vi.) Public vaccinators—payments at a rate not exceeding 1s. for each successful operation.

(vii.) Medical officers of health and sanitary inspectors—half salaries paid by sanitary authorities.

In the provinces the following grants were also payable out of the Exchequer Contribution Account—

Police—Half the cost of pay and clothing.

Union officers—A grant equal to the amount spent by the guardians in 1887–8 on salaries, etc., of union officers and servants (other than teachers in poor-law schools) and on drugs and medical appliances (in substitution for the London grants for poor-law medical expenses and maintenance of indoor paupers).

Any surplus remaining in the Exchequer Contribution Account after paying the above grants and any costs in respect of the account was directed to be applied “in repaying to the general county account of the county fund the costs on account of general county purposes for which the whole area of the county is liable to be assessed to county contributions.”

This surplus is commonly referred to as the “free balance,” as if it were a sum of money available for the relief of rates levied for general local purposes. It should be regarded, however, as applicable in the first instance to two services towards which Parliamentary grants were made prior to 1889, but were discontinued thereafter. These services were main roads and criminal prosecutions. In the year 1888–9 the State contributed one-half the cost of main roads disturnpiked since 1870 and the whole cost of criminal prosecutions.

In London there is a further payment which should be regarded as chargeable on the surplus of the Exchequer Contribution Account, viz., the grant to guardians towards the cost of maintenance of indoor paupers. The original amount of this grant was £326,809 per annum, but it was increased to £327,131 (£328,027 in leap years) by adjustments under the London Government Act, 1899. The amount of the grant was fixed at 4d. a day per head on the average number of indoor paupers maintained in each London union during the five years ended March, 1888. This grant, together with the grant for poor-law medical expenses has always been regarded as the equivalent of the provincial union officers’ grant—indeed, the indoor pauper grant was at first intended to apply to the whole country, but was afterwards confined to London, the union officers’ grant being substituted in the provinces and being made payable out of the Exchequer Contribution Account—and although the Local Government Act of 1888 makes it payable out of the county rate instead of the Exchequer Contribution Account it must in fairness be taken into account in considering the relations between London and the Imperial Exchequer.

In speaking on the financial arrangements embodied in the Local Government Act, 1888, Lord Goschen said:—“The revenue so given up will in the next place [*i.e.* after payment of the “discontinued grants”] meet the whole cost of the disturnpiked roads and pay the 4d. a head for every indoor pauper, and what remains over will go to general county purposes.” So long, therefore, as the surplus from the Exchequer Contribution Account is not in excess of the sum expended on criminal prosecutions and one half of the cost of “main” roads, and in the case of London on the Indoor Pauper grant also, it cannot be said that the local authority concerned possesses a “free balance.”

(2) CHANGES IN THE SYSTEM SINCE 1888.

Since the passing of the Local Government Act of 1888 there have been various changes in the law which have had the effect of complicating the system established by that Act and affecting the amount of the assigned revenues. These modifications of the original scheme are important and a knowledge of their extent and financial effect is necessary to a thorough understanding of the subject. The following is a brief summary of these changes in chronological order—

(1) The Local Taxation (Customs and Excise) Act, 1890, provided that into the Local Taxation Account for England and Wales there should be paid 80 per cent. of the amount raised in the United Kingdom from additional customs and excise duties of 3d. per barrel on beer and 6d. per gallon on spirits,

authorised by the Customs and Inland Revenue Act of the same year, and these duties first benefited local authorities in the year 1890-1. The Act further provided that out of this additional revenue £300,000 should be applied annually to police superannuation (one-half, or £150,000 a year, being allocated to the Metropolitan Police) and that the residue should be divided among the county and borough authorities on the same basis as the probate duty (*i.e.*, on the basis of the discontinued grants, subject to equitable adjustment between county and county borough councils) and these authorities were empowered to devote the whole or part of the additional revenue which they would thus obtain to the purpose of technical education.

(2) By the Police Act of 1890 the obligation was laid upon police authorities throughout the country to grant pensions to members of the police force, the pension funds being fed by deductions from pay, the annual grant from beer and spirit duties referred to above, and certain miscellaneous receipts; any deficiency being met out of the police fund. The Act further provided that where the rate which can be levied for the police fund is limited, as it is in London, an addition to that rate can be levied for the purpose of raising the sum required to meet the deficiency in the pension fund.

Outside the metropolitan police district the deficiency of the pension fund falls wholly upon the local rates, but within the metropolitan police area, owing to the method in which the requirements of the metropolitan police receiver are met, the charge falls, in effect, partly upon the exchequer contribution accounts of the county councils and county boroughs within such area, because each call upon the rates is, in accordance with section 24 (2) (k) of the Local Government Act, 1888, accompanied by a corresponding levy on the exchequer contribution accounts of the authorities concerned, to the extent of four-fifths of the amount raised by rate.

When the growing deficiency of the police pension fund made it necessary for the metropolitan police receiver to increase the police rate beyond the limit of 5d., at which it had been maintained since 1888, the Council was naturally concerned at the threatened further inroad upon the already depleted exchequer contribution account, and as the result of urgent representations made to the Home Secretary a clause was included in the Police Act of 1909 which nullifies the effect of section 24 of the Local Government Act as applied to any increase in the police rate beyond the statutory limit caused by the deficiency of the pension fund. Thus London and the other county councils and the county boroughs in the Metropolitan Police area are placed more on a level with the police authorities in the rest of England and Wales. In so far, however, as any portion of the police rate within the limit of 5d. in the pound is used to make good the deficiency in the pension fund, the Exchequer contribution account is called upon for a proportionate contribution. This point is further elucidated by the figures given in a later section of this report.

(3) The Public Health (London) Act, 1891, required sanitary authorities in London to appoint medical officers and an adequate number of sanitary inspectors, and one-half of their salaries became a charge upon the Exchequer Contribution Account, in accordance with section 24 (2c) of the Local Government Act, 1888.

(4) By the Diseases of Animals Acts, 1890-1894, the duties in connection with the suppression of certain diseases of animals were transferred from the local authorities to the Board of Agriculture, but part of the cost thereof was retained on local taxation by the cattle pleuro-pneumonia accounts for Great Britain and Ireland. These accounts are subsidised by contributions from Parliament, and the balance is charged on the Local Taxation Accounts. The contribution from Parliament must not exceed £140,000 for Great Britain and £20,000 for Ireland in any one year. Only £50,000 out of the total (£160,000) is available for swine fever, and any expenditure in excess of this amount is charged on the Local Taxation Accounts, and is provided therefrom before the Exchequer contributions are distributed. It was not until the year 1894-5 that any charge arose on the Local Taxation (England) account under this head, but in that year a sum of £79,200 was intercepted for this purpose, and in every year since then except one (1902-3) the charge has continued (see Appendix, table A).

(5) The Finance Act, 1894, interfered with the system of assigned revenues as devised by the Local Government Act of 1888. Under the arrangement of 1888, personalty paid a special tax of 1½ per cent. for local purposes. Under the Act of 1894 the probate duty was swept away in the general reorganisation of the death duties and a uniform duty was imposed on personalty and realty alike, but out of the proceeds a sum is paid over to the Local Taxation Account equivalent to what would have been received under the arrangement made in 1888. So far as can be ascertained this change was merely one of form, the amount of the subvention not being materially affected.

(6) The Agricultural Rates Act, 1896, exempted occupiers of agricultural land from the payment of one-half of local rates in respect of which they were not already exempted to the extent of at least one-half. In order to meet approximately the deficiency thus caused in the receipts of the rating authorities a fixed annual payment is made from the Imperial Exchequer into the Local Taxation Account, out of the proceeds of the estate duty, of an amount equal to the estimated amount of the exemption, based however on the rates of the year 1895-6. The grant thus received is paid out again to the various rating authorities. The grant is thus a fixed one, though the amount of the exemption to payers of rates on agricultural land varies according to the rateable value of the land and the rate levied. This Act, unlike the Diseases of Animals Acts just referred to, and the Tithe Rentcharge (Rates) Act referred to below, did not deplete the Local Taxation Account or diminish the grants payable to county authorities, but the passing of the Imperial grant through the Local Taxation Account tends to the complication of the system. Moreover, the Act operates indirectly against urban localities, the inhabitants of which have to bear a large share of the national taxes, but receive a very small proportion of the total grant made under the above Act.

(7) The Tithe Rentcharge (Rates) Act, 1899, relieved the owners of tithe rent-charges attached to benefices of half the rates assessed thereon, the deficiency being payable to the rating authorities by the Inland Revenue out of the portion of the estate duty allocated to the Local Taxation Account. The local taxation share of the estate duty is charged with this grant before the duty is paid into the Local Taxation Account. The burden of the relief granted to a special class of ratepayers thus falls upon local funds by reason of the reduction in the amount of Exchequer contributions available for distribution.

(8) The Education Act, 1902, provided that the "residue" of the beer and spirit taxes, assigned to county authorities under the Local Taxation (Customs and Excise) Act, 1890, shall be applied wholly to expenditure on higher education, and this provision was applied to London by the Education (London) Act, 1903.

(9) Under the Licensing Act, 1904, the amounts paid by holders of licences in respect of the monopoly value of new licences were paid to the Local Taxation Account and credited to the county areas in which they accrued, but against the receipts from this source must be set the loss of income from licences extinguished as a result of the passing of that Act. Any benefit of this addition to the resources of county councils has, however, been only temporary, for under the Finance (1909-10) Act, 1910, the monopoly value of new licences is now paid into the Imperial Exchequer.

(10) The Finance Act, 1907, greatly modified the system of assigned revenues by providing that the proceeds of the local taxation (customs and excise) duties and of the duties on local taxation licences should, instead of being paid into the Local Taxation Account, be paid into the Exchequer, the Consolidated Fund being charged with the payment to the Local Taxation Account of (1) the estate duty grant paid under section 19 of the Finance Act of 1894, and (2) a sum equal to the amount which would have been paid into the account as the proceeds of the duties aforementioned at the rates then in force.

(11) The Finance Act, 1908, provided for the transfer to the county authorities of the power to enforce payment of certain licensee duties, viz., those in respect of dogs, game, guns, male servants, armorial bearings, carriages and motors. The licences are still issued by the Postmaster-General, who receives the duties and pays them over to the county authority in whose area they are received. The Act also provided that towards meeting the cost incurred by the county authorities in enforcing payment of the duties a sum of £40,000 should be paid annually out of the Consolidated Fund to the Local Taxation Account and distributed among the authorities in proportion to the proceeds of the duties referred to above collected in each county area during the preceding year.

(12) The Finance (1909-10) Act, 1910, increased the intoxicating liquor licence duties, but provided that the additional proceeds should go to the Exchequer, the county authorities receiving annually a sum equal to the proceeds of the duties in the year 1908-9. It also provided, as already mentioned, that the charges in respect of the monopoly value of new licences should be paid into the Exchequer instead of into the Local Taxation Account. More serious, however, than the effect of this Act on the revenue from licence duties, was its indirect effect on the rates of local authorities. The increase in the liquor licence duties caused a serious diminution in the rateable value of licensed premises and a consequent increase in the rates on ordinary properties.

(13) The Finance (1909-10) Act, 1910, also revised the whole system of duties on motor cars, and increased the rates of duty payable. The work of collection is left with the local authorities, but the sums which they are to retain are limited to the amount collected in the year 1908-9, all beyond that amount being paid into the Imperial Exchequer and (subject to a deduction for costs of collection) thence transferred to the Road Improvement Fund.

(14) The Revenue Act, 1911, provided that the stereotyping of the amount to be received by county authorities in respect of motor-car licences at the produce for 1908-9 (and the payment of the surplus to the Road Improvement Fund) should apply to all carriage licences, including those in respect of horsed carriages and hackney carriages.

(15) The Revenue Act, 1911, also provided that for the year 1909-10 and subsequent years the amount payable into the Local Taxation Account in respect of the proceeds of the beer and spirit surtaxes should be the amount of the proceeds of those duties in the year 1908-9. The object of this provision was to counteract the effect on the produce of these surtaxes of the increase in the customs and excise duties on spirits imposed by the Finance (1909-10) Act, 1910. The rate of the surtaxes, the proceeds of which were payable to the Local Taxation Account, remained unaltered by that Act, but the amount of such proceeds was seriously diminished owing to the decrease in consumption due to the raising of the duties; this effect was remedied in the Act of 1911, by substituting for the diminished proceeds of the surtaxes a fixed grant based on the proceeds in 1908-9.

It will be seen that, so far as the Exchequer Contribution Account is concerned, the Council's relations with the Imperial Exchequer have undergone numerous and important changes since 1888. On two occasions the assigned revenues have been enlarged, viz., by the beer and spirit surtaxes levied under the Customs and Inland Revenue Act, 1890, and by the receipts from the holders of licences in respect of the monopoly value of new licences granted under the Licensing Act, 1904. But in their effect of relieving the General County rate these additions to the assigned revenues have been only temporary, for in 1902-1903, by the Education Acts, the moneys available from the beer and spirit surtaxes were earmarked for purposes of higher education, and under the Finance Act of 1909-10 the revenue available from monopoly value of new licences is now paid into the Exchequer. Apart from these two items the effect of the legislation which has been passed since 1888, affecting the Exchequer contributions, has been to divert to other purposes portions of the assigned revenues, or to substitute fixed grants for certain of those revenues.

In view of the changes brought about by the Acts of 1907, 1910 and 1911, it would appear that the principle of Assigned Revenues, by which certain revenues were set apart for the purpose of broadening the basis of local taxation, has been abandoned by H.M. Government, and that the existing assigned revenues must be regarded merely as a measure of certain Imperial subventions to local funds. To a large extent the assigned revenues have ceased to exist as such and have been replaced by fixed grants from the Consolidated Fund.

(3) THE SYSTEM NOW IN FORCE.

Before enumerating the objections to the present system and the inequalities from which London suffers, it will be useful to give a brief account of the present working of the Local Taxation Account, administered by the Local Government Board, and the Council's Exchequer Contribution Account, illustrating the description by the latest figures available, viz., those for the year 1911-12.

The following are the sums set apart for the Local Taxation Account :—

Assigned revenues—	£	£
Share of England and Wales in the estate duty grant		2,435,750
Less amounts diverted—		
Under the Tithe Rentcharge (Rates) Act, 1899 (for payment of half rates on tithe rentcharges attached to benefices)	150,293	
Under the Diseases of Animals Acts (for payment to the Cattle Pleuro-pneumonia account)	66,000	
		<u>216,293</u>
		2,219,457
Local taxation licence duties collected by Commissioners of Customs and Excise		<u>273,860</u>
		2,493,317
Fixed grants in substitution for assigned revenues—		
In respect of intoxicating liquor licences	1,806,541	
In respect of beer and spirit surtaxes	1,107,260	
		<u>2,913,801</u>
		5,407,118
Grant towards the cost of collecting licence duties (under Finance Act, 1908)		<u>40,000</u>
Total		<u>£5,447,118</u>

In addition to the above the following amounts, although they are not passed through the Local Taxation Account, form part of the assigned revenues system :—

	£	£
Licence duties and penalties connected therewith, collected by the Postmaster-General or by county-authorities (under sec. 6 of the Finance Act, 1908)		1,151,810
Carriage licence duties collected in like manner	909,922	
Less Amount paid over to the Road Improvement Fund, being the excess over the amount collected in 1908-9.. ..	372,968	
		<u>536,954</u>
Total		<u>1,688,764</u>
The total amount distributed to local authorities in respect of assigned revenues for 1911-12 was thus		<u>£7,135,882</u>

The amount required for grants under the Agricultural Rates Acts is also passed through the Local Taxation Account, but this is paid out in relief of the rates on agricultural land and does not affect the distribution of the assigned revenues. The amount paid to local authorities under this head in 1911-12 was £1,325,002.

The amounts allocated to London, and the bases of distribution, are shown in the following table, the grants under the Tithe Rentcharge (Rates) Acts and the Agricultural Rates Acts being added, as they are connected with the assigned revenues system.

Assigned revenues, 1911-12.

Heads of revenue.	Amount for England and Wales.	London's share.		Basis of apportionment.
		Amount.	Proportion.	
	£	£	per cent.	
ASSIGNED REVENUES.				
Estate duty grant	2,219,457	487,349	22·0	Proportion of "discontinued grants" received by London in 1887-8.
Local taxation licence duties—				Amount collected in London.
Duties paid into Local Taxation Account	273,860	39,484	14·4	
Duties collected locally	1,151,810	115,174	10·0	Do.
FIXED GRANTS IN SUBSTITUTION FOR ASSIGNED REVENUES (based on proceeds in 1908-9).				
In respect of intoxicating liquor licences	1,806,541	258,118	14·3	Amount collected in London in 1908-9.
In respect of carriage licences	536,954	55,361	10·3	Do.
<i>Estate duty and licence duties</i>	5,988,622	955,486	16·0	
In respect of beer and spirit surtaxes—				
Police pension grant	300,000	105,376	35·1	Share (calculated on assessable value) of £150,000 allocated to Metropolitan Police.
Residue	807,260	177,258	22·0	Proportion of "discontinued grants."
	7,095,882	1,238,120	17·4	
Grants towards cost of collecting transferred licence duties	40,000	4,527	11·3	Proceeds of duties in London in preceding year.
TOTAL OF ASSIGNED REVENUES	7,135,882	1,242,647	17·4	
Tithe rentcharge rates grant	150,293	514	0·3	Half-rates on tithe rentcharges attached to benefices.
Agricultural rates grant	1,325,002	5,927	0·4	Half-rates on agricultural land in 1895-6.
Total	8,611,177	1,249,088	14·5	

Of the sum allocated to London in respect of the beer and spirit surtaxes £105,376 (London's share of the £150,000 assigned to the Metropolitan Police) was paid direct to the Receiver for the Metropolitan Police District. London's share of the "residue" was paid to the Council and, after deduction of a sum of £265 payable to other county councils in connection with adjustments under the London Government Act, 1899, was carried to the Higher Education Account, in accordance with the provisions of the Education Acts, 1902-3.

The revenue from the estate duty and licence duties, which, together with the grant towards the cost of collecting the transferred licences, amounted to £960,013, is applicable to the various grants provided for by the Local Government Act, 1888, and enumerated above (*see p. 2*). The amount available for this purpose was reduced by a sum of £604 payable to other county councils in connection with adjustments under the London Government Act, 1899, and by £14,979, the net cost of enforcing payment of the transferred licence duties, leaving the net amount available £944,430. The grants payable, however, amounted to £968,476, so that there was a deficiency of £24,046.

There is no provision in the Local Government Act, 1888, as to how any deficiency in the Exchequer Contribution Account is to be met, it not being contemplated apparently when the Act was passed that the moneys received from the assigned revenues in the case of any county authority would prove insufficient to meet the statutory grants payable thereout. This contingency first occurred in the case of London in 1910-11 and the Council was advised that the county rate is not liable to make good any such deficiency in the Exchequer Contribution Account, and that if the moneys in that account are not equal to making the payments chargeable thereon in full, the grants payable must abate proportionately.

The abatements made accordingly in the grants chargeable on the revenue from the estate duty and licence duties for 1911-12, and the amounts paid in respect of such grants, are shown in the following table:—

Heads of grant.	Amount due.	Abatement.	Amount paid.
	£	£	£
Metropolitan Police (maintenance)	649,882	16,136	633,746
Guardians of the poor—			
Poor-law medical expenses... ..	62,822	1,560	61,262
Pauper lunatics	192,817	4,788	188,029
Teachers in poor-law schools	16,206	402	15,804
Registrars of births and deaths	580	14	566
Metropolitan borough councils (sanitary officers)	37,371	928	36,443
City Common Council (for pauper lunatics)	1,232	30	1,202
Special County Account (for pauper lunatics)	5,881	146	5,735
Public vaccinators	1,685	42	1,643
Total	968,476	24,046	944,430

The abatement in the grant in respect of poor-law medical expenses, amounting to £1,560, was made up out of the general county account, the Council being advised that this grant is payable in full, although only part of it can be paid out of the Exchequer Contribution Account. The abatement in the sums payable to public vaccinators was met by a special grant from H.M. Exchequer. In other cases the loss fell upon the recipient authorities and had to be made good out of the rates levied by them.

It will thus be seen that in the year 1911-12 (as also in 1910-11) there was no surplus from the Exchequer Contribution Account available to meet the indoor pauper grant and other charges chargeable in equity on the assigned revenues. The amount of these charges in 1911-12 was as follows :—

	£
Indoor pauper grant	328,027
Criminal prosecutions	25,955
Main roads (amount of former Government grant) ..	3,559
	<hr/>
	357,541
To this must be added the deficiency in the Exchequer Contribution Account (excluding the deduction from the grants to public vaccinators), viz.	24,004
	<hr/>
Making a total deficiency of	381,545
	<hr/>

No figures are available as to the cost of main roads in London, as separate accounts are not kept in respect of the expenditure on such roads. The amount included above (in the absence of such figures) is the amount of the grant received by London authorities in the year 1888-9, representing half the cost of main roads disturnpiked since 1870. These roads, however, are only a few of the London main roads (using that expression in the non-technical sense). If the present cost of all main roads, properly so called, were ascertainable the ultimate deficiency would, of course, be much greater.

From the above figures it will be seen that instead of the assigned revenues being sufficient to meet not only the grants chargeable on them by statute but also the indoor pauper grant and the cost of disturnpiked roads, as was intended when the Act of 1888 was before Parliament, the revenues are now insufficient in London to meet even the statutory charges on the Exchequer Contribution Account.

(4) DEFECTS IN THE SYSTEM OF DISTRIBUTION.

While London suffers in common with other counties from certain general defects and shortcomings in the system of assigned revenues, it has a special grievance in that the system of distribution has been unfair to London from the beginning, so that even if the assigned revenues had provided an adequate source of income for the relief of local burdens generally, London would still have been unfairly treated as compared with the rest of the country. It is this fact that makes the need for reform even more urgent in London than in most other areas. This special grievance occurs in both methods of distribution prescribed by the Local Government Act, 1888, viz., the “discontinued grants” basis (applied to the estate duty grant and, subsequently, to the beer and spirit surtaxes) and the “amounts collected” basis (applied to the licence duties).

Licence duties.

The basis on which the local taxation licence duties are distributed among the county authorities viz., the amounts collected in the several county areas, may be regarded as fair in principle, but there are two points to which attention should be drawn.

In the first place, the law allows the taxpayer to take out these licences at any post office in Great Britain, and therefore the amount which may happen to be collected in any county may not correspond with the amount of the duties incurred in that county. Thus a Londoner may obtain his licences in Brighton, thus benefiting the revenue assigned to that town, or a resident and ratepayer of Edinburgh may take out his licences in London, in which case London benefits. London stands to lose on some of these licences and to gain on others, and it is not possible to say whether London receives as much licence duty as really accrues in London. On the whole, it may be assumed that the licences are taken out in the areas in which the taxpayers reside.

The principal point of criticism is that in the case of the duties on licensed premises (which, in London, produce more than half of the revenue from licences) the old scale of duties was not properly graduated. Houses of low annual value paid a very much higher percentage than those whose annual value was high. Moreover, the graduation of the duty ceased at £700, licensed premises of the annual values of £1,000, £2,000 and upwards paying a duty of £60 only—exactly the same as if they were worth only £700. As London contains a large proportion of licensed premises of high value, and very few of the especially low values, it is clear that the yield of this duty in London was very much below the proportion of the annual value which it yielded in the provinces; and London's share of the local taxation licence duties is thereby less than it would have been if the scale had been more fully graduated. The

following table, constructed by means of figures taken from a return prepared in connection with the Licensing Bill of 1904 and issued as a Parliamentary paper (No. 191, 1904), illustrates this point—

	London.	Counties (exclud- ing London).	County boroughs.	Total (England and Wales).
Number of public houses	5,307	45,538	14,508	65,353
Approximate annual value of public houses	£1,888,480	£2,775,615	£2,113,130	£6,777,225
Approximate average annual value ...	£356	£61	£146	£104
Amount of duty payable annually ...	£208,707	£805,168	£400,238	£1,414,113
Percentage of duty to approximate annual value	11.1	29.0	18.9	20.9

The approximate average annual value of public-houses in London was thus more than three times as great as the average for the whole country ; but the ratio of the licence duty to annual value was only 11.1 per cent. in London, as against 18.9 per cent. in county boroughs, and 29 per cent. in counties other than London.

It will be remembered that the Local Government Bill, 1888, as introduced into Parliament, contained a provision whereby the county authorities could increase the scale of duties on licensed premises by 20 per cent., but this was dropped when it was decided not to transfer the power of licensing from the petty sessions to the county councils.

The Finance (1909-10) Act, 1910, increased the liquor licence duties and brought them more into accord with a uniform percentage on annual value (*a*). The additional proceeds, however, accrue to the Exchequer, the amount now paid to local authorities annually being fixed at the amount received on the old scale in the year 1908-9.

The following information as to the yield of the retail liquor licence duties for the last four years is taken from a Parliamentary paper (H.C. 217, 1912). The figures are provisional, as questions were outstanding, when the return was issued, which would involve adjustments of the figures, mainly for the years 1910-11 and 1911-12. The new scale of duties came into force in 1909-10.

Year.	England and Wales.	London.	London's proportion of England and Wales.
	£	£	Per cent.
1908-9 (<i>duties on old scale</i>)	1,614,189	215,854	13.4
1909-10 (<i>duties on new scale</i>)... ..	3,660,570	807,680	22.1
1910-11	3,494,290	679,720	19.5
1911-12	3,435,470	658,590	19.2

From these figures it will be seen that while in 1908-9 the proportion of the duties raised in London was only 13½ per cent., in 1909-10, when the revised duties were in force, the proportion raised in London increased to 22 per cent. The difference between these two figures gives some indication of the loss which London ratepayers have suffered in the past through the imperfect graduation of the duties, and suffer still through London's share of this revenue being stereotyped at the proceeds in 1908-9.

Estate duty and beer and spirit duties.

As already stated, the revenue derived from the estate duty grant is distributed amongst the county authorities in proportion to the "discontinued grants" received by the several areas in the year 1887-8, and the same basis is applied to the distribution of the "residue" of the beer and spirit surtaxes under the Local Taxation (Customs and Excise) Act, 1890. This basis of apportionment is the result of a compromise which was arrived at when the Local Government Act of 1888 was passing through Parliament. The basis of apportionment originally proposed in the bill was the number of indoor paupers in each county and county borough, and, though various amendments were proposed, the bill passed through Committee without amendment in this respect. It was only at the report stage that the basis of "discontinued grants" (which had been mentioned by the Chancellor of the Exchequer (Mr. Goschen) in his Budget statement only to be condemned as unjust) was substituted for that of "indoor paupers" as a temporary basis "until Parliament otherwise determine."

In principle the basis of discontinued grants, though subject to serious criticism on many points, is not an unreasonable basis for the distribution of Imperial subventions in so far as it represents (theoretically) a measure of the needs of the various areas. That is to say, the discontinued grants having, *ex-hypothesi*, been paid according to past needs, they have been taken as a rough criterion of present needs. The actual basis adopted, however, cannot be considered satisfactory for several reasons—

(a) The figures required adjustment because the grants actually paid did not represent the needs of the several areas ;

(b) The grants forming the basis were those of a single year, which might not be normal ; and

(c) No provision was made to meet the varying development of the several areas.

(a) The old and new scales of duties are set out in *London Statistics*, vol. xxi., pp. 249-250.

The “ discontinued grants ” basis is unfair to London because the amounts received by London in the year 1887-8 were not the proper equivalent of the amounts received by the rest of the country. The grants received by London included nothing in respect of the City Police, nothing in respect of sanitary officers, and an insignificant amount in respect of main roads.

The amounts certified to have been received in the year 1887-8 by England and Wales as a whole, and by London, are as follows :—

Heads of grant..	England and Wales.	London.	
		Amount.	Percentage.
	£	£	
Pauper lunatics... ..	485,264	97,496	20.1
Poor law medical officers, drugs, etc.	149,432	32,939	22.0
Teachers in poor law schools	36,825	12,513	34.0
Registrars of births and deaths	9,500	584	6.1
Vaccinators	17,313	2,030	11.7
Main roads	507,567	3,559	0.7
Criminal prosecutions	145,600	21,384	14.7
Medical officers of health and sanitary inspectors	73,960	nil	—
Police	1,434,923	457,579	31.9
Total	2,860,384	628,084	22.0

From these figures it will be seen that London was at a great disadvantage as regards the grants for *main roads*. This arose from the fact that the grants were only paid in respect of roads disturnpiked since 1870, and those declared to be “ main ” roads under section 15 of the Highways and Locomotives (Amendment) Act, 1878 ; and as London had very few of the former and none of the latter (as the Act of 1878 did not apply to the Metropolis) its proportion of grants was very much smaller than its need. It had, of course, many other main roads, the upkeep of which was very costly ; but as they had been disturnpiked before 1870 the whole cost of their maintenance fell upon the local authorities.

The grant towards the *salaries of medical officers of health and sanitary inspectors* arose from the passing of the Public Health Act, 1872, the Government having undertaken, in connection with that Act, to bear half the cost of the salaries of the medical officers of health and sanitary inspectors to be appointed thereunder, subject to certain conditions. But neither this Act nor the Act of 1875, which superseded it, applied to London ; and consequently no grants were received by London under this head. In fairness to London, therefore, an amount should have been included in the basis equal to half the cost of sanitary officers employed in London, or, alternatively, the sanitary officers’ grants should have been excluded altogether from the stereotyped basis.

The grant towards the cost of the *Metropolitan Police* was a sum equivalent to 4d. in the £ on the rateable value of the Metropolitan Police District (which does not include the City) and the amount given for London in the above table is the County of London’s share of this. There was no grant in aid of the City Police, however, and the neglect of this consideration placed London at a disadvantage as compared with other counties, because London in the past had paid a portion of the cost of its police which would otherwise have been paid by Government. Before 1889 it was merely a question between the City of London and the Imperial Exchequer ; but, owing to the method of calculation adopted in the Act of 1888, it is now a question between the County of London and the rest of the country. There is no reason why other counties should benefit at the expense of London ; London should receive its proper proportion, let the distribution within London be what it may. In other words, the payment out of the City estates should act as a benefit to London, and not to the provincial areas amongst which is divided the total sum derived from the assigned revenues.

As some indication of the extent to which London suffers through these defects in the basis of apportionment a calculation has been made of the additional amounts which would have been received if the stereotyped basis had been modified by the exclusion of the grants for main roads and sanitary officers and by the addition of a grant in respect of the City Police. With these adjustments, London’s share of discontinued grants would have been $\frac{607,708}{2,322,040}$, or 28.8 per cent., instead of $\frac{628,084}{2,860,384}$, or 22 per cent. ; and the additional sums which London would have received from the assigned revenues apportioned on this basis would have amounted in the 23 years up to 1911-12, to £4,483,000, or nearly £200,000 per annum on an average.

It is, however, necessary to point out that the proportion of 28.8 per cent. cannot be strictly justified as representing London’s equitable share of the assigned revenues on the basis of the “ discontinued grants,” because it has been arrived at by excluding from the basis the grants in respect of main roads and sanitary officers. Had the necessary figures been available, the more accurate course would be to rectify the proportions of those grants by including a sum representing London’s real needs. If it could be made, this calculation would probably show a somewhat lower proportion for London than 28.8 per cent. It is noteworthy, however, that this percentage is a lower one than would have been received by London on the basis of apportionment originally proposed, viz., indoor paupers. On the latter basis London’s proportion would have been 30 per cent., instead of the 22 per cent. it receives on the “ discontinued grants ” basis.

The assigned revenues as a whole.

Assuming that the discontinued grants had been adjusted so as to form a satisfactory basis for distributing Imperial subventions according to needs, the basis should have been applied to the distribution of *all* the assigned revenues, including the total produce of the licence duties. London, in fact, ought to have received a fair proportion (22 per cent. or more) of the *whole* assigned revenues, instead of 22 per cent. of the estate and beer and spirit duties and only 13 per cent. of the licence duties.

When the Local Government Bill, 1888, was in Committee (on 6th July, 1888), the President of the Local Government Board (Mr. Ritchie) said :—

“We have always contended that you must not look on the proposal of the Government simply in reference to the amount of licence duty or probate duty, but with reference to the amount which will be received for both. It is obvious that in the richer communities, as a rule, the less will be the amount of pauperism they will have to support, and *vice versa*. The Government have, therefore, arrived at the conclusion that the licence duties and the contributions in aid of paupers counterbalance each other. The right honourable gentleman [Mr. Shaw-Lefevre] said that the Metropolis will gain considerably by our proposal, and I point out that it will lose largely on the licencees.”—[*Hansard*, vol. 328, pp. 603-4.]

It should be remembered that this statement was made at a time when the proposed basis for the apportionment of the probate duty grant was the number of indoor paupers, so that it would appear that in the opinion of the Government of the day London would be fairly treated by being granted 30 per cent. of the probate duty and 13 per cent. of the licence duties. By the substitution of “discontinued grants” as the basis for the apportionment of the probate duty, London’s share of that duty was reduced to 22 per cent., but no compensating alteration was made in the distribution of the licence duties. It follows, therefore, that London’s share of the assigned revenues, as finally settled, was smaller than the Government considered it entitled to. This was admitted by the President of the Local Government Board, who, in introducing the amendment substituting “discontinued grants” for “indoor paupers,” said :—

“On the whole, the result would, he believed, be found to be satisfactory, with the exception of the Metropolis. It so happened that under no system whatever which could be adopted, other than the system which they originally proposed, would the Metropolis gain so much. Therefore, as the Government had been driven from their proposals as to indoor pauperism, it was inevitable that the Metropolis must suffer; while under the system now proposed, it would suffer less than if the grant were based upon population or rateable value.” — [*Hansard*, vol. 329, p. 568, 26th July, 1888.]

(5) ARREST IN GROWTH OF ASSIGNED REVENUES.

When the “assigned revenue” system was established in 1888 it was expected that the revenues would form an expanding source of income for local authorities, an income which would at least keep pace with the expenditure which it was intended to meet. Thus the Royal Commission on Local Taxation, in commenting upon the system, said : “Mr. Goschen contemplated that, under his scheme, the resources of local authorities would be automatically increased, the yield of the assigned revenues being likely to augment as years went on—a prediction which has proved to be true.”—(*Final Report*, p. 17.)

While, however, there was a substantial growth in the yield of the revenues up to the time of the Commissioners’ report, since then there has been very little further increase. This is shown in Table A, appended to this report, from which it will be seen that the amount allocated to local authorities in 1899-1900 (the latest year with which the Commissioners dealt) has only been exceeded in four later years, while in several years the amount has been considerably less.

Table B in the Appendix shows the amounts allocated to London in respect of the several assigned revenues for each year from 1889-90 to 1911-12 (the last complete year). In this table the arrest in growth is more marked than in Table A, which gives the figures for the whole country. While in the first ten years there was considerable growth, the total amount allocated increasing from £1,121,000 in 1890-91 to £1,316,000 in 1899-1900 and £1,242,000 in 1900-1, since the latter date the yield has been practically stationary, the amount for 1911-12 being almost exactly the same as that for 1900-1, and considerably less than that for 1899-1900.

Estate duty grant.

Various causes have contributed to this arrest in the growth of the assigned revenues. In the case of the estate duty it is partly due to the diversion of a portion of the revenue assigned to local taxation to other purposes, viz., to the relief of the owners of tithe rent-charges and towards the expenses of the Board of Agriculture under the Diseases of Animals Acts. Under the former head the amount thus diverted has steadily increased from £105,000 in 1900-1 to £150,000 in 1911-12 (see Table A). Under the second head the amount diverted has fluctuated to a large extent, varying from *nil* up to £145,000; an additional element of uncertainty as regards the produce of the revenues has thus been introduced into the system.

London loses about 22 per cent. of the amounts thus diverted, and the amounts thus lost to London are shown in Table B.

The operations of the Board of Agriculture under the Diseases of Animals Acts refer mainly to certain animal diseases occurring in agricultural districts, and London’s benefit is not in any measure

proportionate to its contribution to the expense thereof. The Royal Commission on Local Taxation reported, with regard to the charging of part of the expenses of the Board of Agriculture on the Local Taxation Account, that "the existing arrangement appears to us to be objectionable from many points of view," and recommended that "the whole of the expenditure incurred by the Board of Agriculture should be borne by the Exchequer." (*Final Report*, p. 46.)

Closely allied to the service just mentioned is that relating to glanders in horses, to which the Royal Commission did not refer in their report. This service is administered by local authorities acting under Orders made by the Board of Agriculture. There is no Government grant for this service, and, as glanders is a disease which occurs mainly in urban areas, London and the other large towns affected have to bear practically the whole cost of stamping out this disease. Thus the cost of two services more or less similar in character, arising under the same Acts and of benefit to the country generally, has an entirely different incidence as between the urban and rural areas respectively. In the one case the urban districts unquestionably lose by the cost being thrown partly upon Imperial funds and partly on the local taxation account, and in the other they lose by the expenditure being made a direct charge on the local rates.

Licence duties.

The produce of the licence duties increased fairly steadily up to the year 1906-7; thereafter it has fluctuated somewhat, and since 1909-10 there is a distinct shrinkage. The net produce of the licence duties in recent years is really less than appears in the table, as the cost of enforcing payment of the transferred duties has considerably exceeded the Government grant therefor. The net produce for London in the last four years, properly comparable with the figures for earlier years given in Table B, is shown in the following table:—

Year.	Gross produce of licence duties.	Cost of collection.			Net produce of duties.
		Expenditure (<i>less</i> costs recovered).	Government grant.	Net cost.	
	£	£	£	£	£
1907-8...	477,674	—	—	—	477,674
1908-9...	466,459	(a)3,657	4,145	- 488	466,947
1909-10	478,568	11,306	3,910	7,396	471,172
1910-11	465,827	14,841	4,025	10,816	455,011
1911-12	468,137	14,979	4,527	10,452	457,685

A comparison of these figures with those in Table B shows that the net produce of the duties in 1911-12 was smaller than that of any year since 1896-7.

Very little further increase can be expected in the revenue from these duties in present circumstances, seeing that the increase in the duties which possessed the greatest elasticity, viz., those on carriages (horse and motor), has been diverted to the Road Improvement Fund, a fixed amount, based on the produce in 1908-9, being paid to the county authorities.

The effect on the Council's finances of the new arrangement with regard to carriage licence duties may be gathered from the following table, giving the total proceeds in London from all carriage licences (including motor cars and hackney carriages), for each of the last ten years before the new arrangement came into force.

Year.	£	Year.	£
1900-1..	43,603	1905-6..	54,514
1901-2..	43,834	1906-7..	59,941
1902-3..	45,676	1907-8..	58,734
1903-4..	46,744	1908-9..	(standard year) 55,361
1904-5..	50,752	1909-10	.. .. (b)67,619

The figures show a growing revenue, the whole of which came to the Council. Now the Council receives in place of this an annual grant of £55,361, based on the proceeds of a year which produced unsatisfactory results for various reasons, the principal being that it was in this financial year that the duty of collecting the duties on these licences was relinquished by the Inland Revenue. The collection of this revenue was conducted by the Council during the last three months (the most important months in the year). The organising of a new department by the Council could not be effected without temporarily delaying the collection of the duties, which fall due on the 1st January, and revenue really due to the year 1908-9 was thus thrown to a considerable extent into the year 1909-10. It may be assumed that a sum of about £5,000 was delayed in this way, so that the figures for the two years, if adjusted, would be—1908-9, £60,361; 1909-10, £62,619. The Council, owing to the substitution for the growing produce of the carriage licence duties of a fixed grant based on the produce in 1908-9, lost for 1910-11 at least £10,000, and will lose larger amounts for subsequent years.

On the other hand, the substitution of a fixed grant for the produce of the liquor licence duties has probably saved the Council from some loss of revenue, as the yield of these duties was steadily

(a) Three months only.

(b) As the Finance Act of 1909-10 did not pass until after the close of that financial year, the Council received the whole of the revenue collected in 1909-10, which included carriage duties on motor cars at the old rates.

diminishing before 1909-10. As against this, however, must be set the fact that the revenue from the monopoly value of new licences has been diverted to the Exchequer.

Beer and spirit surtaxes.

The beer and spirit surtaxes yielded a steadily expanding revenue during the first ten years of their imposition reaching their maximum yield in 1899-1900. Thereafter the produce gradually diminished, owing to the diminution in the consumption of alcoholic liquors, until in the year 1908-9, upon which the fixed grant now substituted was based, the yield was smaller than in any except four of the earliest years, viz., 1890-1, '92-3, '93-4, and '94-5. London's share of the "residue" grant (i.e., the amount of the produce of the duties beyond the £300,000 allotted to police pension funds), increased from £162,000 in 1890-1 to £225,000 in 1899-1900, but fell again to £177,000 in 1908-9 and is now fixed at that sum annually.

London's share of the police pension grant has diminished from £117,000 in 1890-1 to £105,000 in 1911-12. These amounts are London's rateable share of the £150,000 allotted to the Metropolitan police, and the fall in the amount is simply due to the fact that rateable value has increased in outer London faster than within the County.

Licences collection grant.

The figures given above as to the net produce of the licence duties show incidentally that the Exchequer grant towards the cost of enforcing collection of certain of these duties is quite inadequate to meet that cost, and that consequently London has suffered an appreciable loss of revenue owing to the transfer of the duty of collection under the Finance Act, 1908. The Council, in common with most of the other authorities affected, has from the first urged that this grant is totally inadequate, and that it falls short of the cost which was incurred in the collection of the particular classes of licencees before the transfer.

The chief reasons for the insufficiency of the grant are—

(1) That it is apparently based on the average cost to the Inland Revenue of the collection of revenue from all sources (amounting to nearly £100,000,000 per annum) whereas the cost of collecting the small licence duties on dogs and establishments is necessarily much higher than the average of the whole.

(2) That in many areas it has been found impossible to obtain much assistance from the police, with the result that a staff of outdoor officers has had to be specially appointed.

(3) That the work carried out by a number of separate local staffs must necessarily cost more than when administered centrally.

(4) That the new duties on motor cars under the Finance (1909-10) Act, 1910, are more troublesome to collect than the old duties.

London, however, is under special disadvantages in this matter as compared with the authorities outside the Metropolitan police district. In counties in which the police are under the direction of the council of the county or county borough, some assistance is no doubt rendered by the police, but in London and the contiguous areas within the Metropolitan police district the case is different. The direct assistance rendered to the Council by the Metropolitan police is limited to giving information with regard to hackney carriage plates issued to public carriage proprietors. In addition to this the police continue to take action, under their independent powers, in prosecuting persons for keeping dogs without licencees, but these cases are not very numerous and arise generally out of anonymous complaints made to the police, or in regard to stray dogs found without collars. In all these cases the police communicate with the Council before instituting proceedings. The Council receives from the police no more assistance than was formerly afforded to the Inland Revenue, and has to rely, for effective working, upon its own staff.

There is no doubt that London, and, to some extent, the districts immediately adjoining, present special difficulties in connection with the collection of local taxation licencees, and that the cost of administration is above the average. This is due in part to the fact that a large and thickly populated area has to be dealt with, and partly to the number of licences taken out at post offices in the central districts of London by persons residing in the suburbs.

It was the avowed intention of H.M. Government that the grant should cover the whole cost of the work transferred to the county authorities. Thus when the Finance Bill of 1908 was in Committee, the Chancellor of the Exchequer (Mr. Lloyd George), said :—

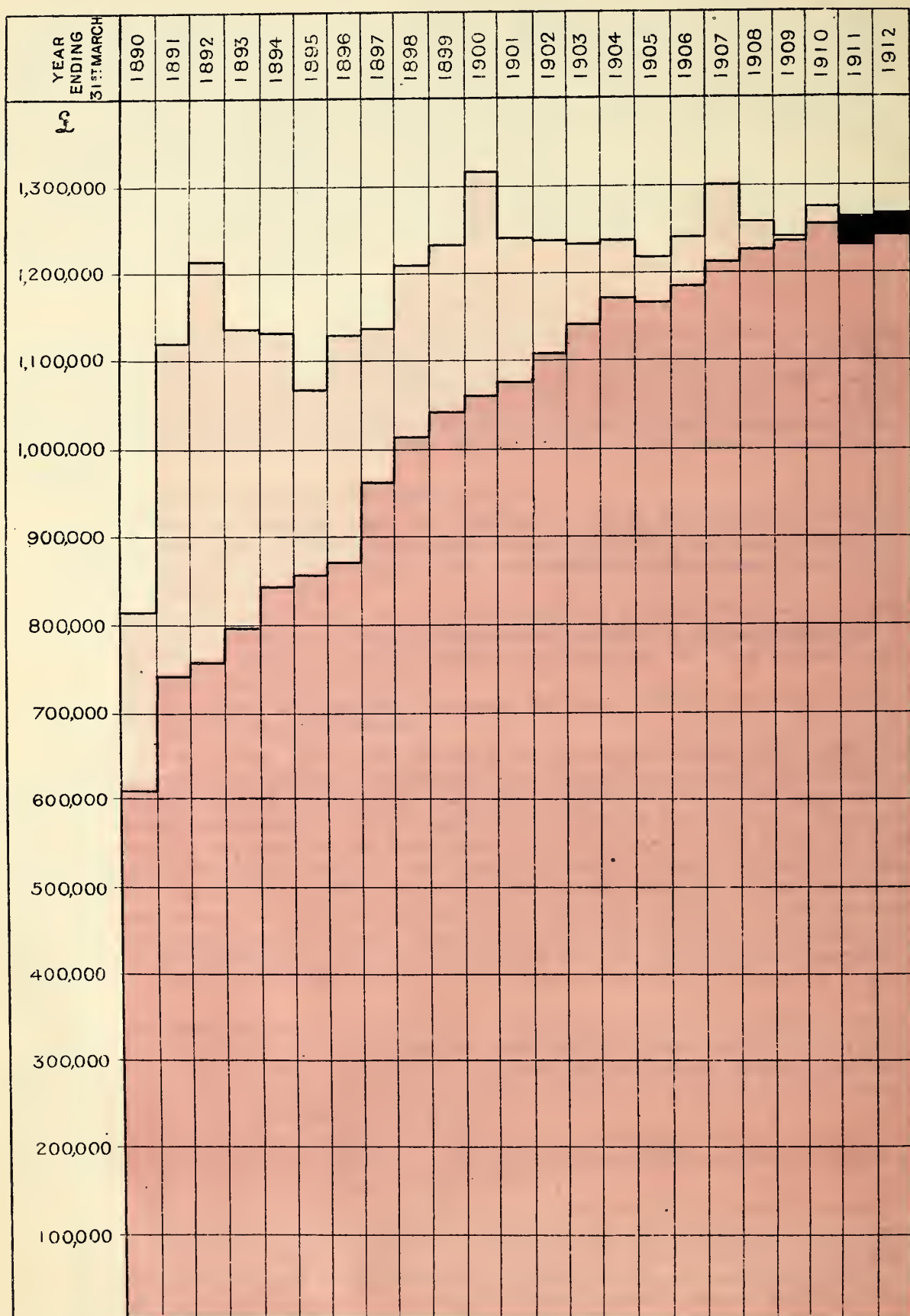
"The matter was a serious one, but he thought there was sufficient margin to cover it. The local authorities, in his opinion, stood to gain under the new arrangement. They would not be put to a cost of more than £40,000. The change, however, must necessarily be an experiment as far as expenditure was concerned, and, if necessary, the local authorities could make representations to the Treasury when the results became known."—(*Debates*, 15th July, 1908, vol. 192, p. 881.)

In the same debate the Chancellor also said—

"Nothing was further from the intention of the Government than that the local authorities should be called upon to set up new machinery for collection. If they had to do that, £40,000 would obviously be very inadequate."—(*Ibid.*, p. 879).

The Council at the time doubted the sufficiency of the grant, and the views then held have been abundantly confirmed by the experience of the Council and of various other councils throughout the

Diagram 1. *shewing amount of Assigned Revenues allocated to London, amount of the charges thereon, and surplus or deficiency in the Exchequer Contribution account (See Table C-1)*



Assigned Revenues allocated to London		Deficiency in Exchequer Contribution Account
Amount applied to grants.	Surplus on Exchequer Contribution Account.	

country. It has been found necessary to set up new machinery and the grant has consequently proved to be quite inadequate. Representations have accordingly been made to the Chancellor of the Exchequer on two occasions; but nothing has been done to remedy this hardship of local authorities.

(6) FAILURE OF ASSIGNED REVENUES TO MEET CHARGES THEREON.

The Council is not only concerned with the produce of the assigned revenues, but also with the growth of the statutory charges thereon. This growth is some measure of the increasing cost of the national services towards which these grants are made, and although the increasing sums which have year by year to be paid by the Council in the form of grants do not mean any loss of money to London as a whole, they have reduced the margin of surplus hitherto available from the assigned revenues for the relief of the general county rate, until such surplus has disappeared entirely and a deficiency has taken its place.

The amount of the several charges on the assigned revenues allocated to London is shown for each year from 1889-90 onwards in Table C (1) in the appendix.

The most important charge on the assigned revenues is the sum intercepted annually by the Local Government Board and paid to the Receiver of the Metropolitan Police district, equivalent to a rate of 4d. in the £. The amount taken for police purposes has increased from £457,000 in 1889-90 to £648,000 in 1909-10. For 1910-11 the amount due under this head amounted to £652,555, but owing to the insufficiency of the assigned revenues to meet the charges thereon in full the grant had to be reduced to £630,731. For 1911-12 the amount due was £649,882, but for a similar reason it had to be reduced to £633,746. The increase in the police grant alone has much more than absorbed the total growth in the yield of the assigned revenues.

The next important charge is the grant in respect of pauper lunatics, and an even greater proportionate increase has taken place under this head. The amount due to guardians for this purpose has increased from £97,000 in 1889-90 to £192,000 in 1911-12, thus being almost doubled in the period, although in the latter year the amount paid had to be reduced to £188,000 on account of the insufficiency of the assigned revenues. The present system of poor law administration and finance is partly responsible for this increase. As is pointed out in the report of the Royal Commission on the Feeble-Minded, the financial administration of the Metropolitan Poor Law service encourages the sending of harmless imbeciles to county asylums to be treated as pauper lunatics.

Under the heads of poor law medical expenses and teachers in poor law schools there have also been large increases.

The passing of the Public Health (London) Act, 1891, gave a great impetus to the appointment of sanitary officers by the local authorities, and by section 108 of that Act one-half of the salaries paid to such officers is refunded by the Council out of the Exchequer contribution account. The increase under this head amounts to over £36,000.

The Technical Instruction Act of 1891 was responsible for a new charge on the Exchequer contribution account. Under that Act, however, technical instruction was an optional service on the part of the Council, though the granting of the beer and spirit surtaxes was accompanied by more than a hint that the proceeds should be applied, in part if not wholly, to the purposes of technical education. For many years the Council had a considerable balance left after providing for the requirements of its Technical Education Board, but now under the Education Acts, 1902 and 1903, the whole of the revenue from the "residue" of the beer and spirit surtaxes is earmarked for the purposes of Higher Education.

Effect on the general county rate.

The effect of the failure of the assigned revenues to keep pace with the increased charges which have been laid upon them is shown in the diminution of the balance which is transferable each year to the general county account. In 1889-90 this balance amounted to £203,000; in the following year owing to the addition of the beer and spirit surtaxes the balance was increased to £379,000, and in 1891-2 the general county rate benefited to the extent of no less than £459,000. From this year onwards the sum available for general county purposes gradually diminished until in 1910-11 it disappeared entirely, the charges on the Exchequer Contribution Account exceeding the income from the assigned revenues by £32,000 in that year and by £24,046 in 1911-12. This state of affairs seems likely to continue while the present system continues in force. According to the latest information available the deficiency for 1912-13 will be about £34,000, and the estimated deficiency for 1913-14 is £30,000.

The gradual disappearance of the surplus from the Exchequer Contribution Account, and the substitution of a deficiency therefor is shown in graphic form in **Diagram I.**

It may be pointed out here that the occurrence of a deficiency in the Council's Exchequer Contribution Account has been precipitated by the diversion of a portion of the estate duty grant to purposes for which it was not originally intended, viz., the relief of rates on tithe rentcharges and expenditure under the Diseases of Animals Acts. If the grant of half rates on tithe rentcharges attached to benefices had been provided in the same way as the grants under the Agricultural Rates Acts (to which it is akin), i.e., out of the Consolidated Fund, no deficiency would yet have occurred, and if the expenses of the Board of Agriculture under the Diseases of Animals Acts had been borne wholly by the Exchequer, as recommended by the Local Taxation Commission, such a contingency might have been still further delayed.

In consequence of the disappearance of the surplus from the Exchequer Contribution Account the indoor pauper grant, which, as already explained, is of a similar character to the grants chargeable

on that account, has now to be paid entirely out of the general county rate. The amount of this grant for each year from 1889-90, together with the cost of criminal prosecutions and the amount of the grant for main roads formerly received by London authorities is shown in Table C (2) in the Appendix. This table and **Diagram II.**, which is based thereon, show how much of the balance of the Exchequer contributions transferred in aid of the rates is left after making deductions under these three heads, and providing for the abatements from the grants chargeable on the Exchequer Contribution Account. There is considerable difficulty in dealing with the main road expenditure, as already explained. The figure used in the table for each year (£3,559) is that of the actual Parliamentary grant to certain vestries and district boards in 1888-9, being one-half the cost of certain roads disturnpiked since 1870.

The results exhibited by the table are very striking. London has had in every year, except 1890-1 and 1891-2, to call upon the county rate to make good grants, which, in other areas, have been met out of the assigned revenues, although only a trifling sum has been charged against these revenues for London main roads. It is abundantly clear from this table that, after charging against the Exchequer contributions the statutory grants payable thereout, together with the indoor pauper grant and expenditure on services formerly met by the discontinued grants, not only is there no surplus available to London in relief of rates for local purposes, but there is a deficiency of Exchequer contributions amounting now to over £380,000 per annum, a sum which is equivalent to more than 2d. in the £ on the county rate.

(7) CRITICISM OF THE PRINCIPLE OF ASSIGNED REVENUES.

The intention of the scheme of assigned revenues, as originally founded, was to sever local from Imperial finance, (a) by assigning to the local authorities the produce of the excise licences as specific local revenue, and (b) by allocating to these authorities one-half of the probate duty. The latter was done with the avowed intention of placing the owners of personalty under direct contribution to local charges and of equalising their contribution by levying, in effect, a probate duty of $1\frac{1}{2}$ per cent. for local taxation and $1\frac{1}{2}$ per cent. for Imperial taxation. Thus the system of assigned revenues was originally designed as a means of broadening the basis of local taxation in order that the expenditure of the local authorities might be borne, not only by rates on real property, but also by trade etc. licences and by probate duty on personalty.

Views of Local Taxation Commission.

The Royal Commission on Local Taxation, which was appointed in 1896 and issued its final report on England and Wales in 1901, dealt with the question from another standpoint. It took into consideration the nature of the various services performed by the local authorities and discriminated between—

(a) Services which are preponderantly national in character and generally onerous to the ratepayers—"universality and uniformity of administration is generally a mark of a national service, because such administration does not confer special benefit on special places"—and

(b) Services which are preponderantly local in character and confer upon ratepayers a direct and peculiar benefit more or less commensurate with the burden—"a service may be called properly local when a preponderant share of the benefit can be directly traced to persons interested in the locality."

The Commissioners were in general agreement on the above distinction. They also agreed that it would not be practicable to transfer from the local authorities to the State the administration of and charge for national services, and that the entire charge ought not to be met by local rates.

The Commissioners, however, differed fundamentally in their views as to the best means of meeting the difficulty. The chairman (Lord Balfour of Burleigh), the late Lord Kinross (then Lord Blair Balfour), the late Sir Edward Hamilton (then Secretary to the Treasury), the Right Hon. Sir George Murray (late Secretary to the Treasury), and the Rt. Hon. James Stuart considered that the cost of national services should be met, in part, by State contributions out of the Consolidated Fund. On the other hand, the majority of the Commissioners gave their adherence to the principle of assigned revenues, and recommended that the present system should be continued and extended.

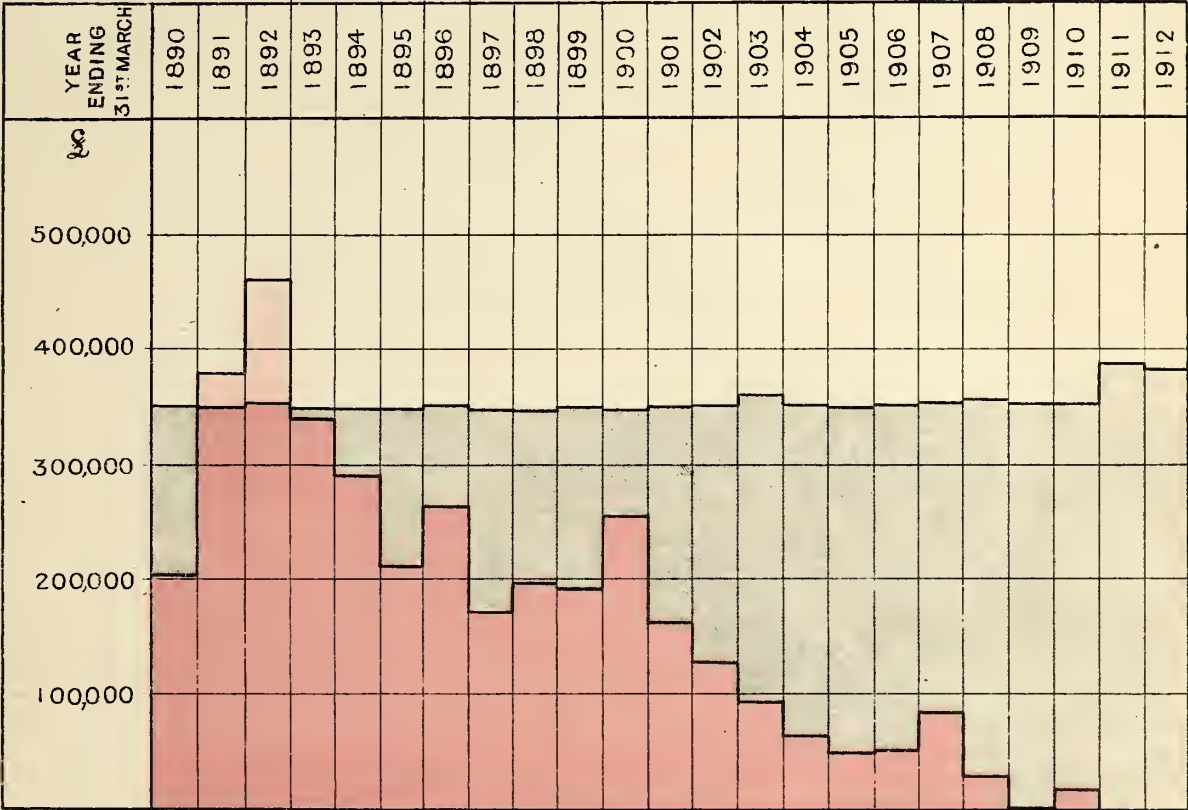
Objections to the system.

There are serious objections in principle to the continuance of the system of "assigned revenues," apart from the fact that it has proved so unsatisfactory in practice, as shown in the preceding pages.

In the first place, the variation in the produce of the assigned revenues and the variation in the necessary expenditure on national services bear no relationship to one another; a decrease in the produce of the assigned revenues cannot be met by a reduction in the expenditure on national services; nor, on the other hand, should a windfall in the form of extraordinary receipts from assigned revenues be the cause of unnecessary outlay on national services. The actual needs of the services ought to be met in due proportion by national and local funds.

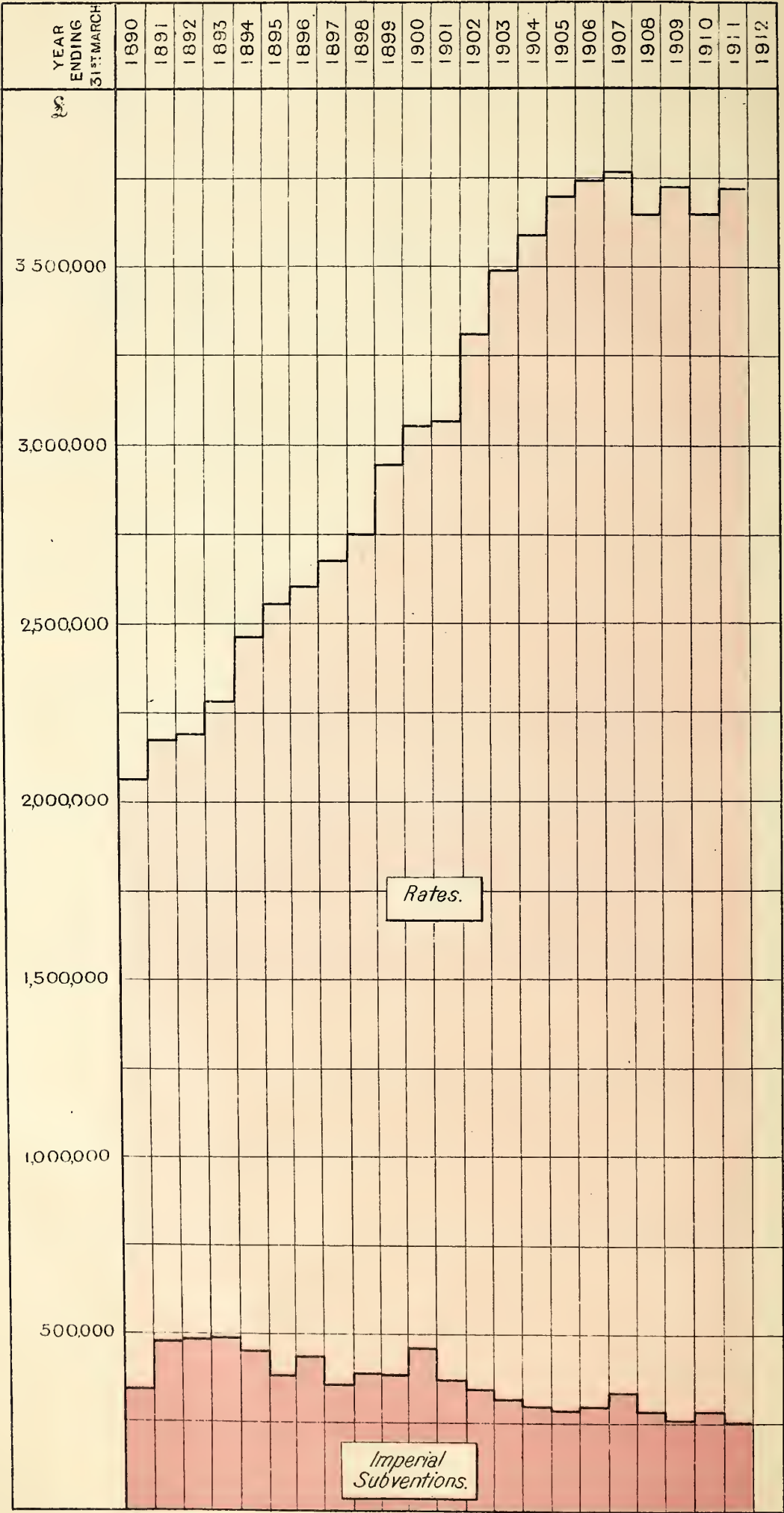
In the second place, the violent fluctuations in the produce of the assigned revenues, more particularly of the estate duty grant, cause fluctuations in the County rate entirely beyond the control of local administration. One of the desiderata of local taxation is an equable rate, the amount of which may be counted on with tolerable certainty from year to year; but this, in the case of the County rate, may be defeated by a sudden rise or fall in the produce of the assigned revenues.

Diagram II. showing sum transferred from the London Exchequer Contribution account to the general county account, amount required to replace certain grants formerly made by Parliament and for the indoor pauper grant, and ultimate surplus or deficiency in Assigned Revenues (See Table C-2)



Amount transferred from Exchequer Contribution Account to general county account.		Ultimate deficiency in Assigned Revenues
Amount required to replace certain discontinued grants & the indoor pauper grant.	Ultimate surplus available for general purposes.	

Diagram III. showing the net expenditure on Poor Relief by London Authorities, with the amounts borne by Imperial Subventions and Rates respectively, for each year from 1889-1890 (See Table D)



In the third place these revenues are liable to be indirectly affected by the action of Parliament in increasing or diminishing taxation for Imperial purposes on the articles concerned. A striking example of this is the effect which the additional taxes on beer and spirits under the Finance (1909-10) Act, 1910, produced upon the yield of the surtaxes on beer and spirits assigned for the purposes of higher education.

In the fourth place, the system imparts an unnecessary complication, both to national and local accounts, far exceeding that inherent in the former system of direct grants (a complication which the present system was originally designed to avoid), for it should be remembered that an important series of direct grants still exists side by side with the assigned revenues.

For these reasons and others concerned with the practical carrying out of any scheme of Imperial subventions, it would be desirable to abandon the system of assigned revenues altogether as a means of providing the Government's share of the cost of national services performed by local authorities, and to pay the grants out of the general Imperial revenue in the same way as other Imperial charges are paid.

With the disappearance of the assigned revenues there would be no necessity for the local taxation account, administered by the Local Government Board, or for the Exchequer contribution accounts of the county and borough councils. All Government grants in aid of national services locally administered would be paid direct from the Imperial Exchequer to the various authorities carrying out these services. The national and local accounts would thus be freed from those undesirable complications, and the financial relations between the Imperial Exchequer and local authorities would be vastly simplified.

II.—NATIONAL SERVICES ADMINISTERED LOCALLY.

The services designated by the Royal Commission as being "preponderantly national in character and generally onerous to the ratepayers," are as follows :—

- Poor relief, etc.
 - Poor relief.
 - Lunatic asylums.
 - Registration of births and deaths.
 - Vaccination.
- Police, etc.
 - Police maintenance.
 - Police superannuation.
 - Criminal prosecutions.
- Main roads.
- Public health officers' salaries.
- Education.

The object of the following pages is to show to what extent the cost of these services is borne by the assigned revenues or grants, and to what extent it falls on local rates.

It will be seen from the information given that the growth of expenditure on these services has been very large and that the greater part of the increase has fallen upon the ratepayers.

A slight difficulty arises in connection with the grant under the Agricultural Rates Acts. This grant is made to local rating authorities to compensate them in some measure for the loss of rates due to the action of Parliament in 1896 in exempting occupiers of agricultural land from payment of one-half of certain local rates. These rates, instead of being levied as formerly upon the rateable value, have since 1896 been levied upon the "assessable value" (*i.e.*, rateable value less one-half of the value of agricultural land). The resulting loss of rating power on agricultural land was made up, but to a limited amount only, to the local authorities by the grant in question. It is submitted that while the amount of this grant may properly be included in the aggregate of the Imperial subventions in aid of local taxation, it cannot be regarded as part of the assistance given by the central authority in aid of national services. In stating, therefore, the amounts and proportions in which the charges for national services fall upon local rates and the Imperial Exchequer respectively, the Agricultural Rates grant has been included with the local rates. Comparisons between the period since this grant was given and that antecedent thereto are thus facilitated. The amount received by London authorities from this grant amounts to less than £6,000 per annum, so that any different method of treating it would not make any material difference in the results brought out.

(1.) POOR RELIEF, ETC.

(i.) *Poor relief.*

Table D in the Appendix shows the net expenditure of London poor-law authorities on relief of the poor and purposes immediately connected therewith, with the proportions borne by Imperial subventions, by means of grants out of the assigned revenues, and the balance borne by rates. The expenditure of the Metropolitan Asylums Board on fever and small-pox hospitals and other non-poor-law services has been excluded as far as possible, though in the case of the first twelve years this expenditure cannot be wholly excluded. The indoor pauper grant has been treated as the first charge on the surplus (if any) from the Exchequer Contribution Account, for reasons explained above, and to the extent of such surplus that grant is treated as paid out of assigned revenues. The table is illustrated by Diagram III. It will be seen that the expenditure has increased from £2,067,000 in 1889-90 to

£3,717,000 in 1910-11, an increase of £1,650,000 or 80 per cent. The amount borne by Imperial subventions, however, has decreased from £350,000 in 1889-90 and £484,000 in 1892-3 to £256,000 in 1910-11. The proportion of the net expenditure borne by Imperial subventions has fallen from 17 per cent. in 1889-90 and 22 per cent. in 1890-1 to under 7 per cent. in 1910-11.

The Royal Commission on Local Taxation dealt particularly with the inadequacy of the Imperial subventions towards the cost of the poor law service in London. They recommended that in order to place London in the same position as the rest of the country, the present indoor pauper grant paid out of the general county account and the grant now payable out of the Exchequer Contribution Account in respect of poor law medical expenses should be abolished, and that metropolitan boards of guardians should receive in respect of their officers and servants a grant to be fixed on a similar basis to that of the union officers' grant to boards of guardians in the rest of the country. The cost of such a grant was estimated at £625,000, but on the figures of later years it is probable that the grant should be placed at about £950,000. From this must be deducted the amount (£59,000) of the grant for poor law medical expenses now paid out of the Exchequer contributions, leaving the net gain to London £891,000 per annum.

The Royal Commission also suggested the following new grants for poor-law purposes:—

(i.) A grant of 3s. a week per head towards the maintenance of imbeciles and epileptics maintained in workhouses, apart from other inmates.

(ii.) A grant of 3s. a week per head in respect of sick and infirm paupers.

(iii.) A grant of 2s. a week per head towards the maintenance of poor-law children, with a grant for education varying according to results.

Although no further grants in aid of the national service of poor relief have been made as the result of the recommendations of the Royal Commission, it must be recognised that the action of the legislature in recent years, in certain instances, has had, or will have, an effect in diminishing the burden of poor law expenditure falling on the local rates. As instances of this action reference must be made to the following Acts:—

(1) Unemployed Workmen Act, 1905.

Grants are voted annually by Parliament in aid of expenses under this Act. The amounts so granted to the Central (Unemployed) Body for London and the amounts raised out of London rates under the Act are shown in the following table:—

					Grants allocated to London.		Amount raised by rate in London.
1906-7	(first complete year)	..	..	..	£48,865	..	£66,830
1907-8	..	..	..	..	61,993	..	90,840
1908-9	..	..	..	..	104,794	..	—
1909-10	..	..	..	..	92,520	..	46,462
1910-11	..	..	..	..	49,738	..	23,367
1911-12	..	..	..	..	42,805	..	46,426
					400,715	..	273,925

It will be seen that in addition to the Exchequer grants an average of about £45,000 per annum has been charged on rates under this Act.

(2) The Labour Exchanges Act, 1909, in its operation should have some effect in the direction of diminishing poor law expenditure, and it superseded to some extent the work carried on under the Unemployed Workmen Act of 1905.

(3) The Old Age Pensions Act, 1908 and 1911, have undoubtedly afforded some relief to the expenditure of the guardians of the poor, especially in regard to out-relief. An estimate of the saving in local expenditure due to this Act is given in a later section of this report (see V.—*Effects of recent and proposed legislation*).

(4) The National Insurance Act, 1911, should have some effect on the amount of the expenditure on poor relief, especially in regard to medical relief. It will also, however, involve additional expenditure in other directions. The important considerations arising under this Act are also dealt with in the section on *Effects of recent and proposed legislation*.

These changes are in the nature of transfers of administration of part of a national service from the local authorities to the State, with the result that the burden falling on local rates is diminished, and the charge on national funds is increased. It does not follow by any means, however, that the relief to the rates is equivalent to the burden on the taxes; indeed it is obvious that as regards indoor paupers, the expenses of the boards of guardians for buildings and general administration must remain much the same as before, at any rate for some time, although a number of indoor paupers have been transferred from the workhouses to the pension list. Moreover, there still remains the fact that the guardians are administering a national service (diminished slightly in extent), and they are entitled to adequate grants from the Imperial Exchequer towards the expenditure incurred, as recommended twelve years ago by the Royal Commission.

(ii.) Lunatic asylums.

The expenditure incurred by the London County Council and the City Corporation in the provision of asylum accommodation consists of the annual debt charges on the expenditure out of borrowed money and the sums paid to the Asylums Committees for additions and repairs to asylum buildings. The expenditure for each year from 1889-90 to 1911-12 is shown in Table E in the Appendix and in Diagram IV.

Diagram IV. showing the expenditure by London Authorities on the provision of lunatic asylum accommodation (See Table E).



The Council's expenditure has increased from £76,000 in 1889-90 to £182,000 in 1911-12, an increase of £106,000, or 140 per cent.

There is no Government grant towards this expenditure, and the whole charge falls upon the county rate. The City's expenditure is borne by the estate revenues and does not directly affect rates. The number of pauper lunatics for whom accommodation has to be found by London, including those detained in workhouses and the asylums of the Metropolitan Asylums Board, has grown from 16,923 on 1st January, 1891, to 27,304 on 1st January, 1911. Local authorities are liable to pressure from the Commissioners in Lunacy and the Secretary of State to make adequate provision for the pauper lunatics within their areas.

The Royal Commission on Local Taxation (1901) recommended a grant of half the annual expenditure on asylums and other institutions in which pauper lunatics and epileptics are maintained: but no grant has yet been made. Such a grant would mean a relief to the rates of London of about $\frac{1}{2}$ d. in the £ per annum.

(iii.) *Other expenditure in connection with lunacy.*

In addition to providing and maintaining the asylum buildings the Council and the City Corporation are responsible for the maintenance of pauper lunatics who are not found chargeable to any union, and towards their expenses under this head they receive a grant out of the Exchequer Contribution Account of 4s. a week for each such lunatic.

They also bear the cost of the pensions of certain asylum officers, mainly those pensioned before the passing of the Asylum Officers' Superannuation Act, 1909.

The expenditure of the Council and the City Corporation in connection with lunacy, other than expenditure on asylum buildings, was as follows in 1911-12 :—

	London County Council.	City Corporation (1911).	Total.
	£	£	£
Maintenance of county patients	14,530	4,279	18,809
Pensions (<i>less</i> sums recovered)	15,205	1,316	16,521
Other expenses... ..	3,574	—	3,574
	33,309	5,595	38,904
<i>Deduct</i> —Receipts in aid	6,884	1,018	7,902
	26,425	4,577(a)	31,002
Net charge... ..	5,735	1,202	6,937
Grant from Exchequer Contribution Account ...			
Charge borne by rates	20,690	3,375	24,065

(a) In addition the City Corporation spent £278 out of the City's Estates.

(iv.) *Registration of births and deaths.*

The grant to boards of guardians out of the Exchequer Contribution Account in respect of registrars of births and deaths is a fixed one in each case, in substitution for a grant formerly made by Parliament, and represents compensation to the guardians for the additional expense to which they were put by a change made many years ago in the scale of remuneration payable to the registrars. The grant in London amounts to £580 10s. per annum. The expenditure on this service by London guardians amounted in 1910-11 to £12,966, and the grant represents 4.5 per cent. of this.

(v.) *Vaccination.*

The grants to public vaccinators out of the Exchequer Contribution Account are in substitution for payments formerly made by Parliament under the Vaccination Act of 1867, representing a special allowance of not more than 1s. for each successful vaccination. The sums thus paid vary each year, as they depend upon the certificates issued by the Local Government Board during the year.

The expenditure falling on the poor rate has increased largely since 1898-9 as the result of the Vaccination Act of 1898 and the Order made thereunder, which effected several important modifications in the law, notably in providing for the vaccination of children at their own homes instead of at a station. The payments by the London boards of guardians in 1910-11 amounted to £22,945, as compared with £10,866 in the year before the new Act came into force, and £12,533 in 1889-90. Some additional grant from the Imperial Exchequer should have accompanied the requirements of the Act of 1898.

Although in 1910-11 and 1911-12 the assigned revenues were insufficient to meet the charges thereon, the amounts due to public vaccinators were paid in full, H.M. Government having undertaken to make up the deficiency under this head.

The total cost of this service in 1910-11 was as follows :—

	£
Borne by the poor rate	22,945
„ „ assigned revenues	3,212
„ „ Imperial funds	111
	<hr/>
	26,268

The amount borne by the assigned revenues and H.M. Exchequer represents 1.27 per cent. of the total cost.

(2) POLICE, ETC.

(i.) *Metropolitan Police.*

Police, in the case of London, is not a national service locally administered, as the administration of the Metropolitan police is in the hands of a Government department, viz., the Home Office. The cost of the Metropolitan police, however, so far as it is not met by Imperial subventions, falls on local rates; the liabilities of the Imperial Exchequer are carefully limited, but the liabilities of the ratepayers are, as regards part of the police charge, viz., pensions, unlimited, and as regards the maintenance expenditure are limited by a maximum rate fixed by Parliament, recently increased by 2d. in the £. As the expenditure is incurred wholly by a State department, and the ratepayers have no control over or consultative voice in the administration, there is all the more reason why an adequate share of the expense should be borne by Imperial funds.

To a large extent the Metropolitan police is a national force; thus the Criminal Investigation Department is organised practically for the whole country, and members of the force are continually being employed beyond the London area, either in connection with State functions or in connection with riotous disorders. Owing mainly to the Council's representations to the Government the national character of the force has been specifically recognised by Parliament in the Police Act, 1909, which provides that "there shall be paid in each year out of moneys provided by Parliament in respect of services rendered by the Metropolitan police for Imperial and national purposes such sums as the Secretary of State, with the approval of the Treasury, may determine." Under this provision a sum of £100,000 has been paid for each of the last three financial years. This is partly in place of sums which were formerly paid by the Home Office in respect of officers specially employed and which amounted in 1909-10 to £24,500, so that the net additional subvention is £75,500. No information is available as to whether the additional payment is sufficient to cover the cost of the services which are beyond the duties of an ordinary local police force.

A grant towards the salaries of the Commissioners and Receiver is also voted annually by Parliament, the amount for 1911-12 being £4,900.

Grants out of Assigned Revenues.

Up to 1912 the expenditure on the Metropolitan police was limited to the equivalent of a rate of 9d. in the £ on the assessable value of the district, but this limit could be exceeded for the purpose of meeting any deficiency in the pension fund. By the Metropolitan Police Act, 1912, however, the limit of expenditure for purposes other than the pension fund was increased to 11d. in the £, subject to the proviso that before any increase in the amount provided beyond 10d. in the £ is levied the Secretary of State shall lay before the House of Commons a minute stating the reason for such increase.

The Government grant towards the cost of this service was formerly four-fifths of the amount raised by rates (which was thus limited to 5d. in the £). The Police Act, 1909, provided that, in calculating this grant any addition to the rate levied under the provisions of the Police Act, 1890 (*i.e.*, for the pension fund) should not be reckoned as part of the sum raised by rates. The Act of 1912 further provided that in calculating for the purposes of the grant the amount raised by rate, only such part thereof shall be reckoned as does not exceed the maximum amount which could have been so raised if the Act had not been passed. The effect of this provision appears to be that the grant is fixed at the equivalent of 4d. in the £ on the assessable value of the police district, and that any future increase in expenditure will fall wholly on the rate.

As already mentioned there is a grant of £150,000 under the Local Taxation (Customs and Excise) Act, 1890, towards the superannuation of the Metropolitan police.

(ii.) *City Police.*

The City of London maintains a separate police force, towards which no Government grant is made. One-fourth of the cost of this force is defrayed out of the City funds other than rates, and the remainder of the cost is charged on the rates of the City. When the Metropolitan police force was first established in 1829 Sir Robert Peel desired to incorporate the City police therewith. The City Corporation, however, protested strongly against this proposal and it was withdrawn. In 1839 another attempt at amalgamation between the two forces was made, but was again abandoned owing to opposition from the Corporation, and it would appear that the independent control of its police by the Corporation results in no grant being given in respect of the City police and in a loss to London amounting to about £35,000 per annum.

(iii.) *Increase in cost of police.*

The Metropolitan police district comprises the County of London outside the City, Middlesex, parts of Essex, Herts, Kent and Surrey, and the county boroughs of Croydon and West Ham. For the purposes of this report it is unnecessary to distinguish between the amount raised in London and in the outer district; the figures given therefore relate to the whole Metropolitan police district.

Table F, with Diagram V., shows the cost of the Metropolitan and City police for each year from 1889-90. The total cost borne by public funds has increased from £1,430,000 in that year and £1,650,000 in 1890-1 to £2,690,000 in 1911-12. The proportion of the cost borne by Imperial subventions has fallen from 46.3 per cent. in 1893-4, 1894-5 and 1895-6, to 38.9 per cent. in 1911-12. The latter figure excludes the special grant of £100,000 under the Police Act, 1909. This payment is in respect of special services rendered by the Metropolitan police and cannot be regarded as part of the general system of subventions. If, however, this amount were included as a subvention the percentage would only be increased to 41.1.

Diagram V. showing the charges borne by Imperial Subventions and Rates respectively in respect of the Metropolitan & City of London Police, including pensions. (See Table F)

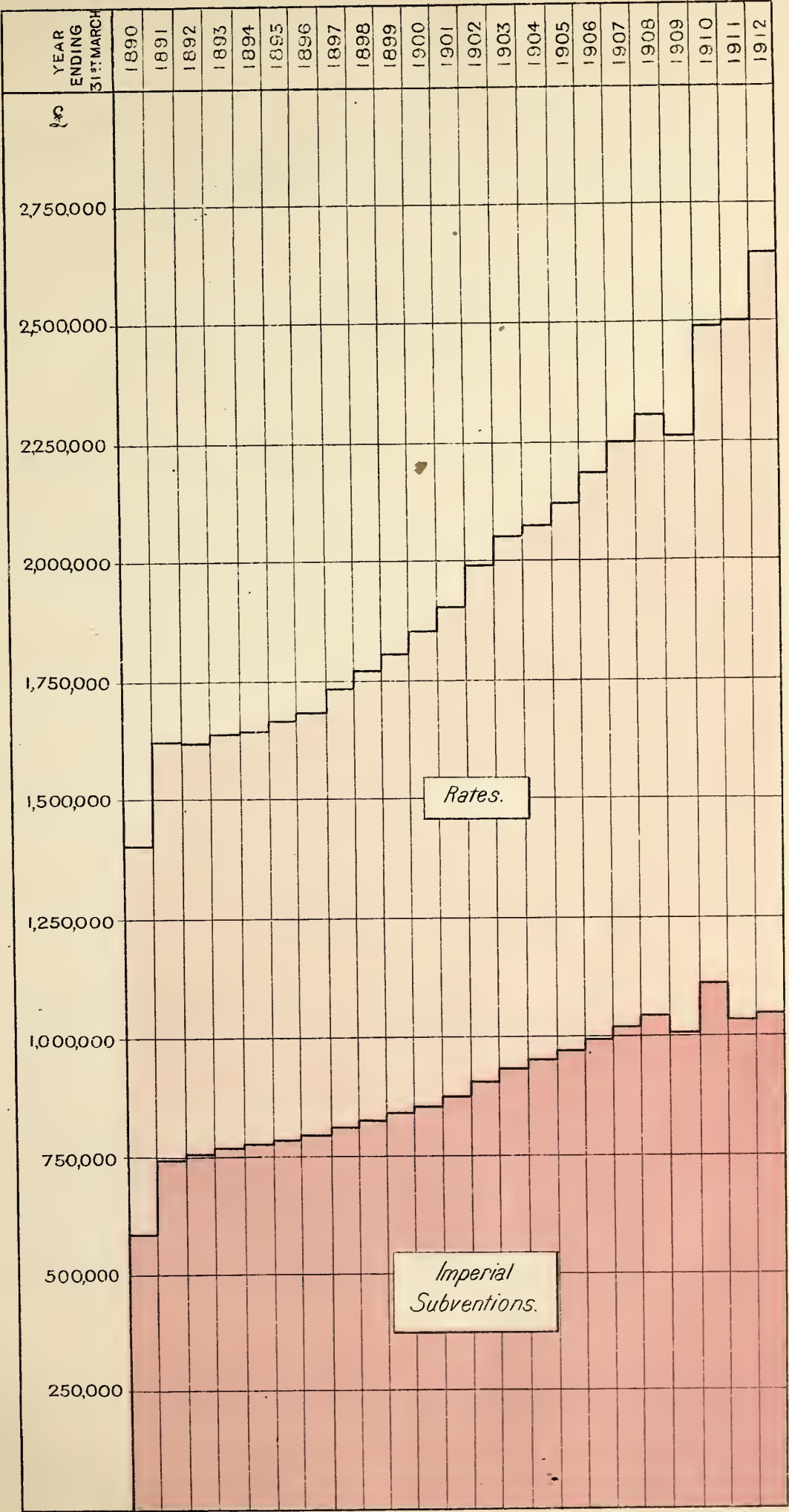
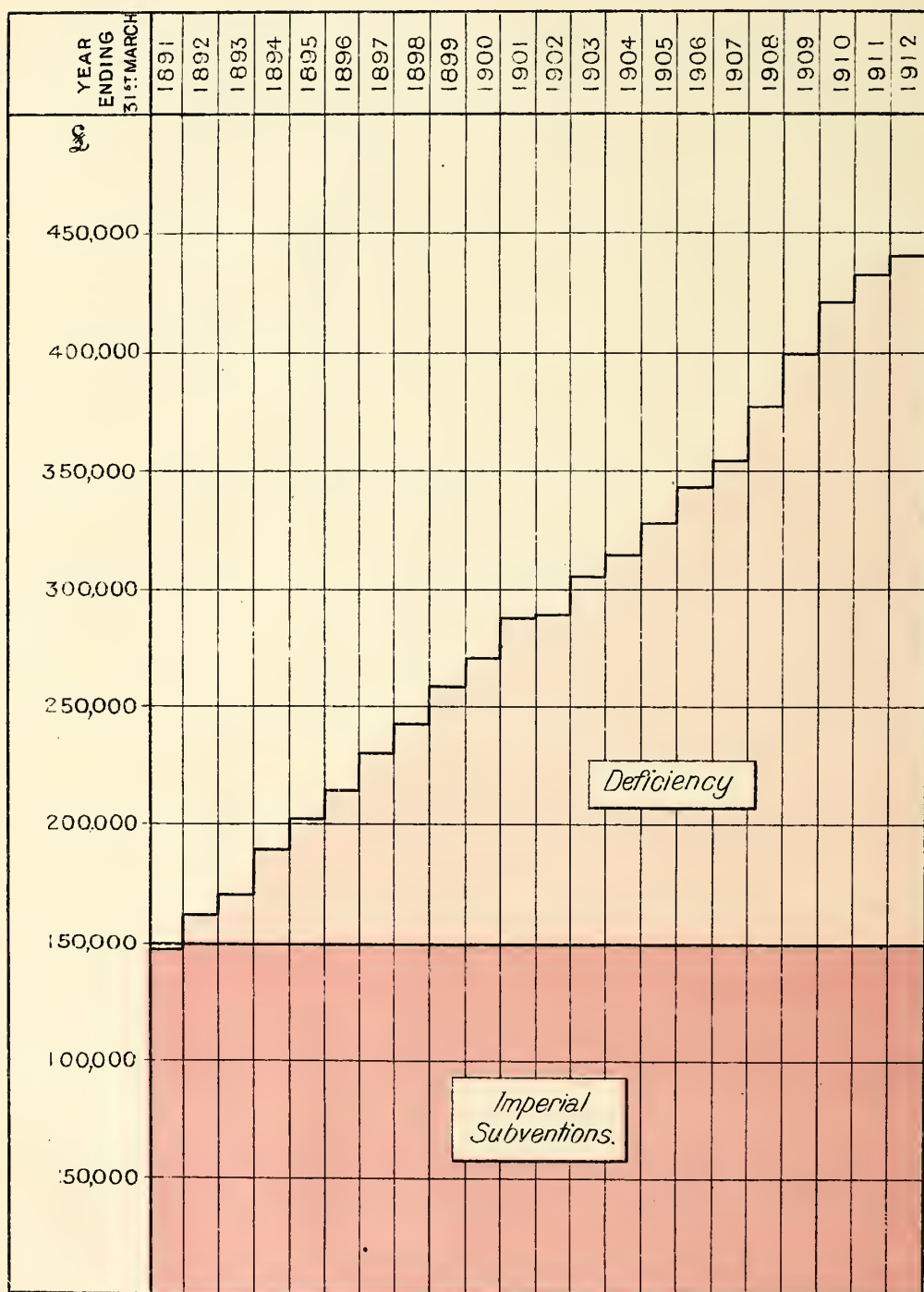




Diagram VI. showing the net expenditure out of the Metropolitan Police Pension Fund, the amount borne by the grant from the Assigned Revenues, & the deficiency charged on the rate account, for each year from 1890-1891 (See Table Fa)



The increase in the charge on rates for the Metropolitan police has been very rapid in recent years, owing mainly to three causes, viz. :—

- (i.) the rapid increase in the Pension Fund deficiency.
- (ii.) the increase in the force necessitated by the granting of a weekly rest day (estimated to cost £177,000 per annum).
- (iii.) the increase in pay granted in 1910 (estimated to cost £90,000 per annum).

The amount of the grant out of assigned revenues being in effect stationary, practically the whole of these additional charges has fallen on the rate.

Up to the year 1908-9 the Receiver of the Metropolitan Police avoided levying a rate of more than 5d. in the £, but for several years the expenditure had exceeded the receipts and in subsequent years the following increased rates have been levied—

1909-10	..	..	..	..	..	5½d.
1910-11	..	..	..	..	..	5¾d.
1911-12	..	..	..	..	..	6½d.
1912-13	..	..	..	..	..	7d.

The Royal Commission recommended a grant of one-half of the net cost of the police, including pensions. For the Metropolitan police this would amount to about £1,260,000 for 1911-12, as compared with the present grant of £1,046,000. Such an increase in the grant would be equivalent to a rate of nearly 1d. in the £.

(iv.) *Police Superannuation.*

Table F (A) with **Diagram VI.**, gives an abstract of the Metropolitan police pension fund for each year from 1890-91, when the Government grant of £150,000 was first received. There was a small surplus in the fund at the end of the first year, and in the years immediately following the deficiency was comparatively small, the greater part of the cost of pensions being defrayed out of the grant of £150,000. During recent years, however, the deficiency charge has grown with rapidity, amounting in 1911-12 to £290,628, which represents 66 per cent. of the total charge for pensions in that year, the Government grant of £150,000 providing only 34 per cent. The prospective liabilities of the ratepayers under this head constitute a most serious problem in the finance of the police service. Unless there is further assistance from the Imperial Exchequer, the present strength of the Metropolitan police force will, it is estimated, involve an ultimate deficiency charge of over £500,000 a year. The prospect, therefore, for the ratepayers of the Metropolitan police area is a serious one.

(v.) *Criminal prosecutions.*

Prior to 1889-90 the costs of prosecutors and witnesses in criminal prosecutions were borne by the Imperial Exchequer; now this expense, which is paid out of county and borough funds, must be considered a charge upon the surplus of the Exchequer Contribution Account, and it is dealt with as such in Table C (2) appended to this report. After, however, allowing for the indoor pauper grant, which is regarded as the first charge on the surplus of the Exchequer Contribution Account, there has been no balance which could be applied to the cost of criminal prosecutions, except in the years 1890-1, 1891-2 and 1892-3; since the last-mentioned year, therefore, the whole cost has fallen on the county rate. The expenditure of the Council under this head has increased from £19,849 in 1889-90 to £25,955 in 1911-12. The following Acts of Parliament affecting this service have been passed since 1888, viz., Poor Prisoners Defence Act, 1903; Criminal Appeal Act, 1907; Probation of Offenders Act, 1907; and Costs in Criminal Cases Act, 1908. Their financial effect has not been very considerable, but the extra cost, whatever it is, falls on the county rate under the present system.

The Royal Commission on Local Taxation considered that the whole cost of this service should be borne by the State as it was from 1846 to 1889.

(3) MAIN ROADS.

There is no specific grant from the Exchequer for the maintenance of main roads, but it is assumed that whatever balance of the Exchequer Contribution Account of the county councils remains after deducting the expenditure on costs of criminal prosecutions may be regarded as a subvention to replace the grant discontinued in 1833. Table C (2) shows that in London this is *nil*.

The Royal Commission on Local Taxation (page 29 of their report) said "We are of opinion that a special grant should be given for the maintenance of main roads. . . . Since that date (1888) the cost of the maintenance of these roads has greatly increased, and they have become from year to year increasingly a National service, owing to the increase of population and the development of new means of locomotion. We fully recognise the fact that the changes in locomotion which have taken place during the last quarter of a century, and the different policies which have prevailed in different counties as to the maining and dismaining of roads, and the technical definition of 'main roads' which excludes main roads in county boroughs, and roads disturnpiked prior to the 31st December, 1870, unless the latter have since been made main roads, have rendered it eminently desirable that some authoritative and impartial body should revise the distribution of the main road grant, and decide what roads should be main roads alike in counties and county and quarter sessions boroughs. This is a task involving minute local investigation, and the taking of detailed evidence on the part of those locally interested, which it has not been possible for us to undertake; but we trust it may hereafter be undertaken by some duly authorised tribunal. In the meanwhile, on the facts before us, we think

that one-half of the expenses of the maintenance of these roads in counties during the financial year preceding legislation on this subject should be paid by the Exchequer. We estimate this grant at a little over £1,000,000."

A Departmental Committee appointed by the President of the Local Government Board to consider the question of highways reported (11th August, 1903) their agreement with the views of the Royal Commission on Local Taxation in reference to the desirability of an authoritative and impartial body being appointed to "decide what roads should be main roads alike in counties and county and quarter sessions boroughs," so far as roads of National importance are concerned, but were of opinion that the question of what roads are of county importance could be satisfactorily settled by the County Highways Board which they proposed. They considered that the cost of maintenance of trunk roads for long distance through traffic was "a matter of National rather than for local or county provision," such roads being known as "National roads."

Further, the Select Committee on Local Legislation (1912) expressed the opinion "that the time has arrived when an authority should be constituted to decide which roads should be the main roads of the country, and that the cost of their maintenance should be taken off the rates and put upon the taxes."

It will be seen that all these authoritative reports concur in the suggestion that a central authority should decide which roads should be regarded as National roads.

As regards the proportion of cost to be borne by the State, it will be seen that the Local Taxation Commission suggested one-half the cost of main roads. The Select Committee on Local Legislation, on the other hand, apparently considered that the whole cost of such roads should be borne by the State.

The administration of the Road Improvement Fund by the Road Board is dealt with in another section of this report.

(4) PUBLIC HEALTH OFFICERS' SALARIES.

The amount granted out of the Exchequer Contribution Account towards the salaries of sanitary officers appointed under the provisions of the Public Health (London) Act, 1891, is one moiety of the salary in each case, and consequently the proportions of the amounts borne by the local rates and the Imperial subventions do not vary from year to year. It should be noted that the cost of this service has increased steadily during the period under review, the grants having risen from £131 in 1889-90 to £36,443 in 1911-12. The amount due in the last-mentioned year was even larger, £928 being deducted from the amount claimed for that year on account of the insufficiency of the assigned revenues.

Under the L.C.C. (General Powers) Act, 1908, the Council is empowered to make grants towards the salaries of health visitors appointed by the local authorities. £111 was paid under this head out of the assigned revenues for 1909-10, but since then nothing further has been paid, as in subsequent years the assigned revenues have been insufficient to meet the grants under the Act of 1888, which, the Council is advised, rank before the voluntary grants under the Act of 1908. The salaries of health visitors in London now amount to about £2,400 per annum, and it is feared that the lack of grants will have a deterrent effect on the appointment of these officers and thus seriously hamper a most useful development of the public health services of London.

(5) EDUCATION--ELEMENTARY.

(i.) *Introductory.*

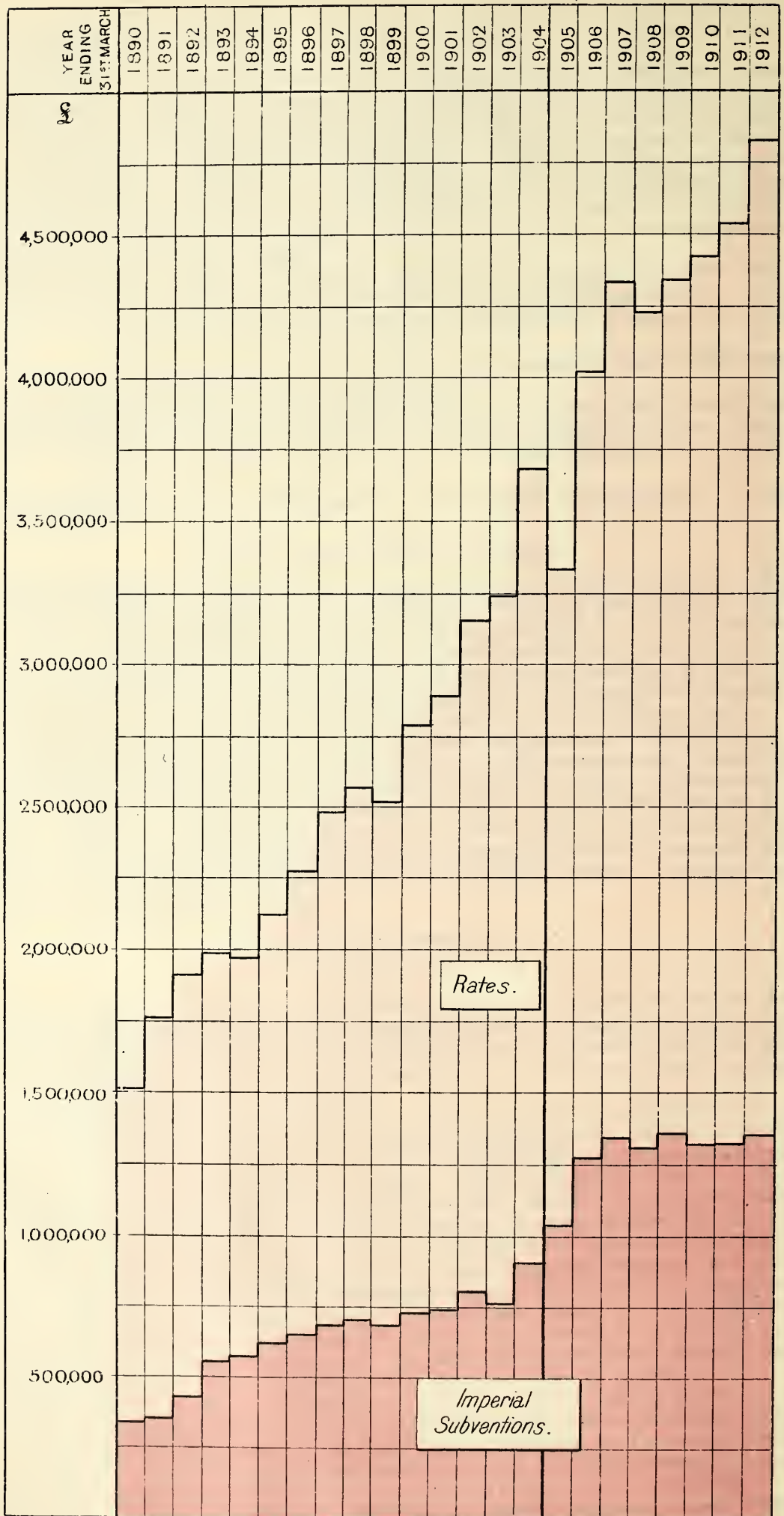
Education differs from most other services aided by Government grants, in that the grants, except in the case of the Beer and Spirit duties allocated to higher education, bear a direct relation to the provision made for the service in the various local areas and are to some extent based on the cost of the service, while the Assigned Revenues are allocated on an arbitrary basis, quite independent of the present cost of the services which they aid.

The Royal Commission on Local Taxation, in dividing the services administered by local government authorities into two classes, (1) those which are preponderantly National in character, and (2) those which are preponderantly Local in character and confer a direct benefit on the ratepayers, included Education among the services classed as National. They considered that this service, although it confers great benefit on the classes which participate in it, does very little to increase the value of rateable property in a particular locality, and is not, therefore, a service of which the cost should be borne wholly, or indeed mainly, by local funds. Education is one of those services in respect of which the State insists on a certain standard of efficiency being maintained, irrespective of the wishes of the local authorities, and it is probably only because the administration of the service requires a vast organisation, spread over the whole country, and involving different treatment to meet varying local conditions, that the detailed administration has been placed in the hands of local authorities instead of being taken over by the Imperial Government. In these circumstances local authorities have a right to expect that the bulk of the cost of this service should be borne by the State.

The history of the grants for Education is set out in considerable detail in the Memorandum prepared for the conference of education authorities in December, 1908, copies of which are still available; it will, therefore, not be necessary to deal at any length with the historical aspect of the subject. It may, however, be pointed out that the system of grants has passed through several stages of development and that the system at present in force is the outcome of a long series of experiments.

When the grants were first instituted (in 1832) they were made in aid of the *provision* of schools and were a certain proportion of the estimated expenditure. When it became necessary to give

Diagram VII. showing the charges borne by Imperial Subventions & Rates respectively in respect of expenditure on Elementary Education by the School Board for London (to 1903-4) & the London County Council (See Table G.)



assistance in the *maintenance* of the schools, grants were given in aid of teachers' salaries (1846) ; these also were dependent upon expenditure. Subsequently, along with these grants a small capitation grant was instituted (1853), based on the number of scholars under instruction and conditional on three-fourths of the children passing an examination. This system was only in force for a few years, however, and was superseded (1862) by the system of "payment by results," on the recommendation of the Duke of Newcastle's Commission after an exhaustive inquiry. This system, which aimed at giving additional assistance where extra *efficiency* was attained, continued in force, with varying schemes of grants, for thirty years, and, in a modified form, for a further period of eight years. The final step was taken in 1900 when a single capitation grant was established for ordinary elementary instruction, with only a very slight differentiation in the case of schools which were obviously inefficient. (This differentiation was abolished in 1904.) This was practically a reversion to the system of capitation grants in force before 1862, but unqualified by the efficiency grants then paid in respect of trained teachers.

It will thus be seen that up to the year 1900 the grants in force always had some relation either to actual expenditure or to results obtained. During the period from 1862 to 1900, and especially between 1871 and 1890, a considerable number of separate grants were offered, to encourage efficiency of instruction and a liberal extension of the elementary curriculum. The principle underlying the grants during this period was the rewarding of excellence by increased grants. Afterwards, when a substantial advance had been achieved, and comparatively efficient systems of elementary education had been initiated in most parts of the country, this financial encouragement was withdrawn and a uniform grant set up, the only difference made between an excellent school and an inefficient one being the possibility in the latter case of some reduction in the grant, or in extreme cases the withholding of the grant altogether.

(ii.) *Grants now in force.*

The present government grants in aid of elementary education consist of the following :—

(1) Annual grants, for what may be termed the normal instruction given in the elementary schools, at the rate of £1 1s. 4d. for each unit of average attendance of children over five years of age, and 13s. 4d. in the case of children under that age ;

(2) Fee-grant of 10s. for each unit of average attendance of scholars between the ages of 3 and 15, paid to schools in which either (a) no fees are charged or (b) the fees charged are less than those charged before 1891 by at least 10s. a scholar ,

(3) Aid grant under the Education Act, 1902, consisting of (i.) 4s. per child in average attendance, (ii.) an additional 1½d. a child for every complete twopence a child by which the produce of a 1d. rate falls short of 10s. a child ;

(4) Grants for special subjects of instruction, such as cookery, laundry work, handicraft, etc. ;

(5) Grants for schools in areas with very small population (this does not apply to London).

There are also grants in respect of the following special types of school—

(6) Grants for special schools for blind, deaf, defective and epileptic children.

(7) Grants for higher elementary schools, varying according to the year of the course, as follows—1st, 30s. ; 2nd, 45s. ; 3rd and 4th, 60s.

A special temporary grant is also now made to heavily-rated areas.

All these grants are paid through the Board of Education, whose codes of regulations must be complied with before the grants (except the aid grant) are paid.

(iii.) *Financial effect of grants.*

In Table G. in the Appendix is shown the charge borne by grants and rates respectively in respect of expenditure on elementary education by the London education authority for each year from 1889–90 to 1911–12. The table is illustrated by **Diagram VII.**

In considering the net expenditure by the Council and its predecessor, the School Board for London, on elementary education, and the proportions thereof borne respectively by Government grants and local rates, it is necessary to bear in mind that owing to the fact that prior to the coming into operation of the Education Acts, 1902 and 1903, the cost of the voluntary schools did not fall upon local rates, the figures as to grants for the later years are apt to convey the misleading impression that there has been a very large increase in the amount provided out of parliamentary funds. In order to show how the proportions of the expenditure on elementary education borne by public funds (including government grants to voluntary schools) during the last twenty years have varied between government grants and local rates respectively, it would be necessary to prepare a separate table showing the total expenditure on elementary education in London. This, however, is impossible, as the statistics available do not give separate information for voluntary schools in London. From information relating to the whole of England and Wales the general deduction to be drawn is that as between local rates and Imperial taxes, the proportion against the ratepayer has been an increasing one since the year 1898–9, and the State share of the public burden has diminished relatively to that of the ratepayers.

The Elementary Education Act, 1891, provided for a fee grant in lieu of school fees. The adoption of the Act was optional on the part of school managers, but school fees were, in the course

of a year or two, almost entirely abolished, and the burden shifted from the parents of the children to the State at an annual cost of £2,750,000 for England and Wales. This grant naturally caused the percentage of the total cost of elementary education contributed by the State to rise after the year 1890-91. In London, the average annual income from fees had been steadily falling owing to the gradual reduction in fees charged. In 1880-81 it stood at 8s. 3d. per child, whereas in 1890-91 it was only 6s. 8d. per child. The School Board at once availed themselves of the Act, and as the new fee grant was 10s. per child the change was of some small benefit to their finances, the immediate gain to the Board being 3s. 4d. per child. The grant is in the main, however, one of compensation for the loss of fees paid by the parents. It is, therefore, the latter who have been and are benefiting, rather than the general body of ratepayers, by this large grant of public money.

The Education Act (London), 1903, placed the voluntary schools on the county rate. To meet the increased expenditure thus thrown on the ratepayers, the new aid grant was given and the old grant to the voluntary schools under the Act of 1897 was superseded. This government grant did not permanently improve the position of the ratepayers as compared with their position before these schools were transferred to them. In fact, notwithstanding this grant, the amount raised in the rates for elementary education has risen rapidly since 1904-5. A large part of the new grant from the Imperial Exchequer may be regarded as a measure of relief to those who, prior to that date, subscribed towards the cost of the voluntary schools, as the effect of the transfer was to throw upon the ratepayers expenditure formerly defrayed in part out of moneys thus subscribed. Moreover, the large increase of expenditure on the raising of the standard of efficiency in these schools has far exceeded the additional assistance given by the new grant.

It is obvious, therefore, that these two great transfers of burden from the parents of the scholars and the managers of the voluntary schools respectively to public funds necessarily complicate the relative positions of the ratepayers and taxpayers and render a comparison of percentages in the years prior to 1904-5 illusory. It has been shown that the object and effect of the fee and aid grants was, and is, to give compensation from the Imperial Exchequer to the ratepayers for the loss of income in the one case and for the transfer of a new charge hitherto in part borne by private funds in the other case. The result was to increase considerably the percentage of the total expenditure borne by the Government grants, but there has been no corresponding relief to the ratepayers as such. The burden was shifted from private individuals to the State, and not from the local authorities to the State, as is the case where additional grants are given in relief of local expenditure. Thus while the central authority can point to the very great increase in the assistance given from the Imperial Exchequer under these two Acts, the local authorities can fairly claim that they are in no better financial position than they were before; indeed the charge upon them in regard to the voluntary schools over and above the new grant has placed them in a worse position.

The most significant fact brought out by the figures as to the cost of elementary education is the stupendous growth of expenditure during the last twenty-one years. Taking the year 1889-90 as a starting-point, the net expenditure of the Education Authority for London has increased from about £1,520,000 to £4,830,000 in 1911-12, an increase of £3,310,000, or 218 per cent. Certain Acts of Parliament, together with the requirements of the Board of Education, have been responsible for the bulk of this great increase in the demand on the public purse, the number of scholars having increased from 645,000 in 1889 to 754,000 in 1911, or by only 17 per cent.

With regard to the proportion of cost borne by government grants it has been shown above that the figures for years prior to 1904-5 are not properly comparable with those for later years. Comparing the figures from 1904-5 onwards it will be seen that the proportion of cost borne by government grants has decreased from 31.2 per cent. to 27.9 per cent. in 1911-12.

As education is a service in which rapid developments are taking place, it will be well to set out the latest figures available. The figures for later years, corresponding to those in Table G., are as follows:—

Year.	Total charge borne by rates and Imperial subventions.	Borne by Imperial subventions.		Borne by rates and the agricultural rates grant.	
		Amount.	Percentage.	Amount.	Percentage.
	£	£		£	
1912-13 (<i>Actual</i>) ...	4,792,925	1,340,879	28.0	3,452,046	72.0
1913-14 (<i>Estimated</i>)	5,021,189	1,362,365	27.1	3,658,824	72.9

The case for increased government grants towards the cost of elementary education is generally recognised, and has frequently been admitted by Ministers of the Crown. London's claim for increased grants is even stronger than that of provincial authorities, because of the necessarily high cost of elementary education per scholar in London. The result of the heavy cost of the service in London, compared with the differentiation of the aid grant, is that a much smaller proportion of the cost is borne by grants in London than in the provinces, as will appear from the following table:—

Elementary education, 1910-11.

Areas.	Net cost of elementary education			Percentage of charge borne by		Rate per £ of rateable value of charge borne by		
	Borne by Parliamentary grants.	Borne by rates and borough funds (a).	Total charge.	Grants.	Rates, etc.	Grants.	Rates, etc.	Total borne by public funds.
1	2	3	4	5	6	7	8	9
	£	£	£	%	%	d.	d.	d.
London	1,322,489	3,224,431	4,546,920	29·1	70·9	7·0	17·2	24·2
County boroughs	3,572,043	3,517,542	7,089,585	50·4	49·6	15·7	15·5	31·2
Counties :—								
Areas under county councils	4,478,457	3,729,264	8,207,721	54·6	45·4	13·3	11·4	24·7
Boroughs	1,172,096	1,021,945	2,194,041	53·4	46·6			
Urban districts	866,371	838,427	1,704,798	50·8	49·2			
Joint authorities	3,950	—	3,950	—	—	—	—	—
Total England and Wales ...	11,415,414	12,331,615	23,747,029	48·1	51·9	12·6	13·6	26·2

(a) Including grants under the Agricultural Rates Acts, amounting to £702 for London and £114,013 for the rest of the country.

From the above figures it will be seen that while in London the proportion of cost borne by grants was only 29 per cent., in provincial areas it was, on the average, well over 50 per cent. Again, while in London the grants were the equivalent of a rate of only 7d. in the £, in provincial areas they were equivalent to a rate of about double that amount, the result being that the charge falling on the rates in London (17½d.) was considerably higher than the average for provincial areas.

(iv.) The Aid Grant.

The rate of the Aid grant received by London is about 2s. per scholar less than the average for the rest of the country. viz., in 1911-12, 7s. 4½d. as against 9s. 5d. This difference is due to the comparatively high assessable value of London.

In fixing the basis of the aid grant an attempt was made to take into account ability to bear taxation as well as necessity for expenditure, by introducing the factor of assessable value, in the form of the amount per scholar produced by a penny rate. The formula for the computation of the differential part of the grant may be stated as follows :—

$$\frac{3}{4} \left(10s. \text{ per scholar} - \frac{\text{produce of a 1d. rate}}{\text{number of scholars}} \right)$$

or, more simply, the grant per scholar may be stated as approximately 7s. 6d. per scholar *minus* the produce per scholar of a ¾d. rate.

From this formula it will be seen that the higher the assessable value, as compared with the number of scholars, the lower is the rate of grant, and *vice versa*.

While the aid grant thus uses a high assessable value as a means of reducing the grant, it takes no account of the higher cost of education involved, and for this reason it is inequitable to areas like London in which the advantage of high assessable value is more than counterbalanced by the corresponding high cost of sites and buildings and the higher scale of teachers' salaries.

This higher scale of cost is plainly shown by the higher cost of education per scholar in London. Thus the total cost of elementary education borne by rates and grants in 1910-11, divided by the number of children in average attendance in ordinary elementary schools, works out at £6 19s. 3d. per scholar in London, as against an average of only £4 1s. 7d. per scholar in the rest of England and Wales. If the high assessable value of London is to be taken into account in calculating grants, other circumstances affecting the amount of the burden on rates, and particularly the necessarily higher cost of the service in London, should also be taken account of.

If the aid grant for London were calculated at the average rate per child for the whole country London would receive an additional sum of about £59,000 a year, without taking account of the higher cost per child of education in London.

The aid grant is unfair to London in another respect. Apart from the question as to whether assessable value is a proper measure of ability to bear taxation, a grant which is based partly on assessable value could only work equitably if there were a uniform system of valuation in force in the whole country : but London is the only county in which periodical re-valuation is compulsory, and it is a well-known fact that the standard of valuation in London is higher than in the provinces. It is quite possible, therefore, that some provincial areas may receive a higher aid grant than London, not because their ability to bear taxation is less, but because the property in their areas is under-valued for purposes of rates.

(v.) Special grant to heavily-rated areas.

The system of grants in force since the passing of the Act of 1902 has proved insufficient to prevent the education rates rising in certain districts to an extremely high rate in the £, and this fact led to a demand for further grants. In order to meet this demand temporarily, additional sums have been granted in each year since 1906-7 to education authorities whose rates were exceptionally high. This additional grant is calculated for each year at three-fourths of the sum by which the net expenditure

from rates on elementary education in the previous year exceeded the produce of a rate of 18d. in the £ (subject to the total amount of the claims not exceeding the amount voted by Parliament). The total amounts granted have been as follows :—

1906-7	..	£172,941	1910-11	..	£325,605
1907-8	..	181,360	1911-12	..	350,000
1908-9	..	200,000	1912-13	..	350,000
1909-10	..	200,000			

The sum of £350,000 is also included in the estimates of the Board of Education for the current year (1913-14).

The regulations of the Board of Education with regard to this grant for the years 1911-12 and 1912-13 provided that the special grants would not be paid to any authority which had not already participated in the special grants, and that the total of the special grants should not exceed £350,000. Had this restriction not been placed on the grants, London would have been entitled to a special grant in 1911-12 (based upon the expenditure of 1910-11) amounting to about £50,000, equal to a rate of $\frac{3}{10}$ d. in the £. In 1912-13, London would have been entitled to a special grant (based upon the expenditure of 1911-12) of about £170,000, equal to a rate of $\frac{9}{10}$ d. in the £. On the expenditure for the year 1912-13 the special grant for the current year would amount to about £312,000, equal to a rate of 1 $\frac{2}{3}$ d. in the £.

This grant has re-introduced the principle embodied in the grants under the Necessitous School Boards Act of 1897, viz., a grant graduated in accordance with the charge on rates. There is, however, an important difference in the manner in which the principle is applied. In the old grant the graduation depended on a charge on rates exceeding 3d. in the £ and not exceeding 2s. 6d. in the £; no additional grant was paid in respect of a charge on rates beyond 2s. 6d. The new grant, on the other hand, depends on the charge on rates beyond 1s. 6d. in the £ only. The latter is a less satisfactory method than the former. A higher rate of expenditure may be due to extravagance as well as to necessity, and if three-fourths of all expenditure beyond a certain point were borne by grants the incentive to economy would be considerably weakened. If expenditure is taken as the basis of grants it would be more prudent, as well as more equitable, to give a smaller proportion of the *whole* expenditure, rather than a high proportion of the expenditure in excess of a certain arbitrary standard.

Moreover, as already shown in connection with the aid grant, a low assessable value, which is the other principal factor in the production of a high rate, may be due to under-valuation. A grant which is based on the rate levied may encourage under-valuation as well as extravagant expenditure.

The grant was introduced as a temporary expedient to meet an emergency, but it has continued for seven years, and there is a danger that this grant, which has so many unsatisfactory features, may acquire a permanent place in the system of education grants, to the detriment of areas which, like London, have not been allowed to participate in it.

(vi.) *Medical inspection and treatment.*

The Education (Administrative Provisions) Act, 1907, imposed on local authorities the duty of providing for the medical inspection of children, and gave power to attend to the health and physical condition of children in public elementary schools. Although the latter power is optional, the two heads of expense are so closely interwoven that expenditure on the latter is the natural and inevitable outcome of the former.

The expenditure incurred by the Council under this head has been as follows :—

		£			£
1907-8	..	393	1911-12	..	42,874
1908-9	..	7,917	1912-13	..	50,975
1909-10	..	15,748	1913-14	(Estimated)	77,225
1910-11	..	27,022			

In the year 1912, a sum of £60,000 was voted by Parliament for grants in aid of expenditure on medical treatment, and the Board of Education issued regulations under which grants would be made.

It is noteworthy that the regulations, drawn up by the Board of Education and approved by the Treasury, left the amount of the individual grants to the discretion of the Board. These regulations stated that, in fixing the grant, the Board would take into consideration :—

- (a) the number of children in attendance at public elementary schools maintained by the authority ;
- (b) the assessable value of the area ;
- (c) the actual expenditure incurred by the authority in respect of their school medical service ;
- (d) the extent to which other agencies for providing treatment in the area are utilised ;
- (e) the co-ordination of the arrangements for treatment with the arrangements for medical inspection ;
- (f) the completeness of the arrangements made by the authority for the medical supervision of school children and the efficiency of the working of such arrangements as ascertained by the Board from reports made by their medical officers or otherwise.

It will be observed that certain conditions are laid down, but these do not enable any local authority to estimate with any degree of approximation the amount it may receive.

The Chancellor of the Exchequer, in answer to a question in the House of Commons (6th May, 1912) stated that "the Regulations left the distribution of grants to the discretion of the Board of Education, because it was impossible to forecast the number of participants and, consequently, to settle a basis on which the grants could fairly be allocated," but he hoped "that next year some basis may be arrived at in the light of the experience then available."

There is, so far as I am aware, no precedent for leaving the award of grants in the vague manner indicated by the regulations. It remains to be seen whether the regulations for the current year will lay down any more definite basis for the grants.

The Council in due course applied for a grant and was awarded sums amounting to £13,684 for the year 1912-13. No information has been vouchsafed as to how this grant has been assessed. The grants under Part I. of the Regulations (viz., £12,958) are equivalent to 58 per cent. of the expenditure on which the grants were based. It should be pointed out, however, that this expenditure is only that on medical treatment and services ancillary thereto; it does not include the cost of medical inspection, except re-inspection in connection with treatment.

The Board of Education does not give grants in aid of expenditure on routine medical inspection, but it is difficult to see on what principle this attitude is taken. It would appear that, medical treatment being legally optional to local authorities, the Board consider it advisable to encourage its development by means of a grant; on the other hand, medical inspection being a "duty" of local authorities, they can be compelled to carry it out to the satisfaction of the Board without the stimulus of a grant. It is a generally recognised principle, however, that when a service is made a duty which has to be carried out to the satisfaction of a Government department, a grant in aid of the cost is given from national funds, and from this point of view education authorities appear to have a stronger claim for a grant in aid of medical inspection than for one in aid of treatment.

Moreover, it would appear that the grants for medical treatment are intended to operate as a lever for raising the standard of administration in respect of medical inspection. From statements made in its circular to education authorities, calling attention to the regulations under which grants are made for medical treatment, it would appear that the Board may require a higher degree of efficiency in medical inspection, as a condition of a grant for treatment, than it would have felt justified in demanding in the absence of such a grant.

These considerations would appear to justify the grants being regarded as in aid of medical inspection and treatment as a whole, and in this respect they must be regarded as quite inadequate. The total expenditure on the Council's schools medical service, including open-air schools and cleansing of children, but excluding physically defective schools (other than open-air schools), in the year ended 31st July, 1912 (the year adopted for the purpose of the grant) was £49,481, and the grants, amounting to £13,684, are equivalent to only 28 per cent. of this. If the standard of the education grants generally be taken the grant should be at least 50 per cent. of the cost of the service.

Instead, however, of any larger grants being probable in the future, it would appear from the Board's letter in which the amount of the grant awarded was notified that in future years the grants are likely to be smaller. "It must be understood," the letter stated, "that the scale of grants adopted on this occasion is exceptional, and it must not be assumed that a similar scale will be adopted in future years." The amount provided in the Estimates of the Board of Education for these grants has been increased from £60,000 for 1912-13 to £80,000 for 1913-14, but in view of a probable increase in local expenditure a diminution in the scale of grants seems probable.

(vii.) *New powers and duties.*

Reference has already been made to the constant increase in the expenditure of education authorities in consequence of the demands made upon them by the central authority. With this expenditure the grants-in-aid have failed to keep pace, and it is desirable to look at this aspect of the matter a little more closely.

In recent years, many new burdens have been added and new powers have been given to local education authorities. The Education Acts, 1902 and 1903, added largely to the cost of education falling on public funds, the principal additional burdens being the transfer of the "non-provided" schools to the local authorities and the enlargement of their powers and duties with regard to higher education.

Moreover, the stimulus which has been given to education generally during recent years has rendered it necessary for local authorities to incur increased expenditure both in provided schools and non-provided schools, in respect both of the methods of teaching the ordinary school subjects and in respect of special subjects, such as drawing, science, observation lessons and nature study.

The Education (Provision of Meals) Act, 1906, authorised the expenditure under certain conditions of a sum not exceeding the amount which would be produced by a $\frac{1}{2}$ d. rate. The adoption of the Act is optional; but the pressure of public opinion has rendered it necessary for most local authorities to adopt the Act, at any rate in part. The limit of $\frac{1}{2}$ d. applies only to the amount which may be spent on the provision of food. The actual cost, therefore, including administration, may well be, and in London is, much more than the equivalent of the $\frac{1}{2}$ d. rate. The following figures show the amount spent by the Council out of rates since the Act has been in operation—

	£		£
1907-8 ..	1,001	1911-12	87,182
1908-9 ..	18,773	1912-13	98,806
1909-10 ..	72,746	1913-14 (<i>Estimated</i>) ..	101,230
1910-11 ..	87,493		

Under the Education (Administrative Provisions) Act, 1907, various powers are given to local authorities. In addition to imposing the duty of providing for the medical inspection of children and giving power to attend to the health of the children in public elementary schools, the Act empowers education authorities to provide vacation schools and classes, play centres, etc., thus opening up a vista of fresh expenditure.

Apart, however, from new legislation, the successive codes which have been issued during the past few years have imposed upon the local authorities, as a necessary condition of the Board's grant, considerable additional expenditure. For instance, the introduction of organised games into the syllabus has rendered it necessary for local authorities not only to provide the necessary apparatus for the playing of games in the elementary schools, but also in some cases for the hire of the necessary playing-fields or for the acquisition of an increased amount of land in connection with sites for elementary schools.

The most important, from the financial point of view in London, of the requirements of the Board of Education formulated in recent years are those relating to the size of school classes. In 1909 the Board fixed the maximum size of a class at 60, but indications have been given that the limit of 60, mentioned in Article 14 of the Code, must not be regarded as permissible in every class in a school organisation, and that the higher classes should be graded to 50, 45 and even 40. It is gathered that future codes will probably require further reductions, and the Council has had to consider the best and most economical means of arriving at what may be reasonably anticipated as the Board of Education's ultimate conception of the proper numbers for class teaching.

The Council came to the conclusion that any reduction in the size of classes should be carried out not by a series of reductions applied simultaneously throughout London, but by one reduction (to 40 in the case of senior classes and 48 in the case of infant classes) applied to different districts of London until the whole county has been dealt with. This latter method is deemed to be the more economical, but even so will involve the Council in an outlay of £5,150,000, and will necessitate an annual charge on the rates rising in 15 years, when the scheme has been wholly carried out, to £833,000, the equivalent of a rate, on the present assessable value, of $4\frac{1}{2}$ d. in the £.

The above expenditure includes a comparatively small sum to provide additional accommodation necessitated by growth of population, but apart from the additional scholars thus provided for the large outlay involved will not enable the Council to earn any additional grant from the Board of Education.

The tendency of recent legislation to throw additional powers and duties upon the local authority has, in turn, thrown additional duties and responsibilities upon the teachers. It is generally recognised that the importance of the teaching profession has considerably increased during the last ten years, and education authorities have therefore felt themselves bound to improve the financial position of teachers in their service. Throughout the country improved scales of salaries for teachers in elementary schools have been adopted, and in London, as well as in other large towns, the adoption of these improved scales is forming, and will continue to form, a very serious item in the increase in educational expenditure.

Superannuation of teachers is another direction in which increased expenditure has had to be incurred. The State pension scheme under the Elementary School Teachers (Superannuation) Act of 1898 having proved inadequate, especially for teachers in London and other large towns, the Council felt bound to supplement it, and has accordingly done so at a cost which, in 1911-12, amounted to £49,045. The Elementary School Teachers (Superannuation) Act of 1912 increased the State superannuation allowances under the Act of 1898, and has thus enabled the Council to reduce the supplementary allowances out of its own fund. The saving to the Council brought about by this Act is estimated at about £10,000 a year, but it will be seen that a large additional burden remains on the county rate.

A Departmental Committee, appointed by the President of the Board of Education, is considering the question of the establishment of a system of superannuation for teachers in schools and institutions other than elementary schools.

(6) EDUCATION—HIGHER.

(i.) *Introductory.*

Higher education is a service which is "national" in character to an even greater extent than elementary education. Some of the branches of higher education confer very little direct benefit on the ratepayers of any particular locality, their benefits being to a large extent spread over the whole kingdom without regard to the localities which bear the expense of the services. Thus the establishment of a training college for teachers by a local authority does not necessarily benefit the area on which the charge falls, since the teachers trained therein may not remain in the locality as they obtain posts wherever suitable appointments are available. In the same way, experts trained in technical institutes do not necessarily remain in the locality where the institutes are provided, but take up appointments where the circumstances are most advantageous. In other words, the benefits of such education tend to accrue to the community as a whole rather than to particular localities. It follows from this consideration that as much of the cost of this service as practicable should be borne by the State.

The grants for higher education comprise the following groups—

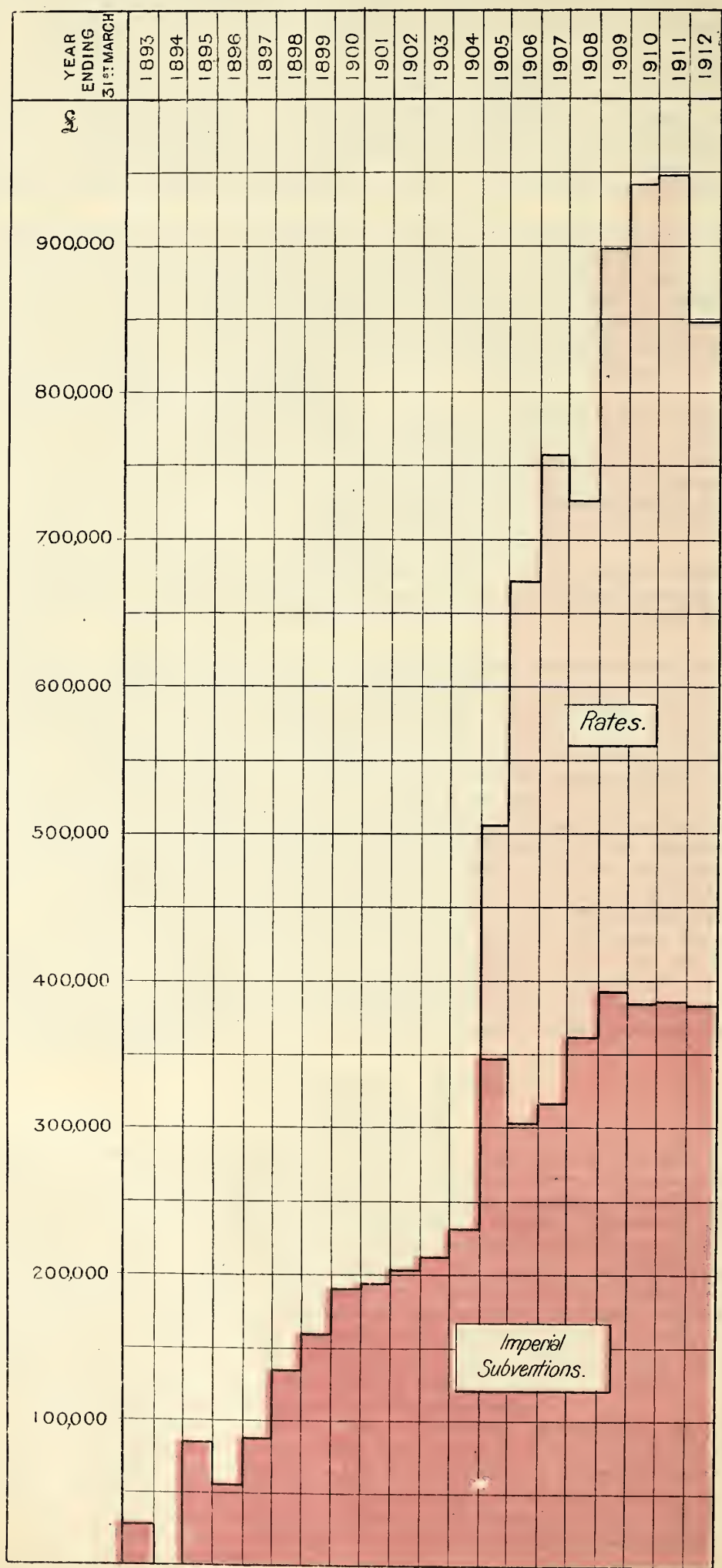
(i.) A large number of separate grants administered by the Board of Education and arranged with regard to the circumstances under which the various branches of education are carried on, as well as with regard to the cost of such education. These grants are for secondary schools, technical institutions, art schools, training colleges, university colleges, etc.

(ii.) Certain grants to universities, voted by Parliament and paid by H.M. Treasury.

(iii.) A small amount distributed by the Board of Agriculture and Fisheries in grants to certain universities and colleges.

(iv.) A fixed grant in lieu of a proportion of the produce of the beer and spirit surtaxes.

Diagram VIII showing the charges borne by Imperial Subventions and Rates respectively in respect of expenditure by the London County Council on Higher Education. (See Table H.)



Full particulars of the first two groups are given in *London Statistics* (see vol. xxii., pp. 390-2) and need not be repeated here.

The grants distributed by the Board of Agriculture are administered in accordance with an arrangement made between that Board and the Board of Education under which the Parliamentary grants in respect of agricultural education are distributed, in the case of institutions giving instruction to students taking advanced courses in agriculture or some special branch thereof, by the Board of Agriculture, and as regards other forms of agricultural education by the Board of Education.

Particulars of the grant in lieu of the beer and spirit surtaxes have already been given.

(ii.) *Financial effect of grants.*

It is more difficult to show the relationship of the grants to the cost borne by local funds in the case of higher education than in the case of elementary education, as in the former case a considerable proportion of the grants is paid to institutions not maintained by local rating authorities. The accounts of such institutions are not all published, and it is therefore impossible to ascertain the proportion of the total cost of higher education borne by Government grants. It is possible, however, to compare the amount of the grants received by the Council with the amount spent out of rates.

Table H in the Appendix, with Diagram VIII., shows the amounts spent out of grants and rates respectively by the Council for each year from 1892-3, the first year in which an amount was allocated by the Council to technical education out of the beer and spirit surtaxes.

Expenditure out of the rates on this branch of education in London is only a comparatively recent development resulting from the Act of 1903. Prior to 1903-4 there was no charge on the rates in London for higher education, except for so much of the expenditure of the late School Board for London as was held by the Cockerton judgment to be beyond the scope of elementary education. The bulk of the expenditure on this service was then met out of the sums allocated from the beer and spirit surtaxes. Since the Act of 1903 came into force, however, a large and rapidly increasing amount has been spent out of rates.

The figures for 1911-12 given in the table are not normal, as although the charge met by rates and grants was less in that year than in the previous year the amount actually expended was considerably higher than in the previous year, a large amount having been met out of balances increased abnormally by the receipt of arrears of the beer and spirit duty grant at the end of the year 1910-11, under the Revenue Act, 1911. In view of this fact and the fact that the service is rapidly developing it will be well to set out the figures for 1912-13 and the estimates for the current year. These are as follows :—

Year.	Net expenditure borne by rates and Imperial subventions.	Borne by Imperial subventions.				Borne by rates.	
		Beer and spirit duty grant.	Other Government grants.	Total.	Percentage.	Amount.	Percentage.
	£	£	£	£		£	
1912-13 (<i>actual</i>) ...	896,681	176,993	206,651	383,644	42·8	513,037	57·2
1913-14 (<i>estimated</i>) ...	1,034,929	176,993	201,350	378,343	36·6	656,586	63·4

The proportion of the cost borne by grants has decreased considerably since the Act of 1903 came into force. In 1905-6 it was only 45 per cent. and while it has fluctuated somewhat since that year it has on the whole diminished, being only 36 per cent. according to the estimates for 1913-14.

Although in the case of higher education the proportion of cost borne by grants in London is not so low as in the case of elementary education, it must be borne in mind that the former service is only in course of development, that the avenues of expenditure are many, and that the claims of the service are likely to be greatly enlarged in the future. In view of the national importance of this service it cannot be denied that at least half the cost should be borne by the State, and it has been shown that the State contribution has already fallen considerably below this standard.

(iii.) *Comparison of London with the provinces.*

The following table shows how London compares with the rest of the country in the matter of grants for higher education received by, or passing through the hands of, local education authorities in 1910-11 :—

	Net cost of Higher Education borne by				Proportion of total charge borne by	
	Imperial subventions.		Rates and borough funds. (b)	Total charge.	Imperial subventions.	Rates, &c.
	Beer and spirit duty grant.	Other grants.				
	£	£	£	£	%	%
London ...	(a) 176,993	209,926	560,648	947,567	40·8	59·2
Rest of England and Wales ...	(a) 630,267	968,452	1,416,340	3,015,059	53·0	47·0
Total ...	(a) 807,260	1,178,378	1,976,988	3,962,626	50·1	49·9

(a) Amounts due in respect of the year. The amounts actually received during the year amounted to £635,257, of which £234,705 was received by London.

(b) Including £3,094 borne by grants under the Agricultural Rates Acts (Wales).

It will be seen that the proportion of cost borne by Government grants is considerably smaller in London than in the rest of the country, although the difference is not so great in this case as in the case of elementary education. It should be pointed out, however, that the above figures do not represent the whole expenditure out of public funds on higher education, as some Government grants are paid direct to the governing bodies of institutions without passing through the hands of local authorities.

(iv.) *Grants for University Education.*

Mention should be made here of the position of London in regard to the Government grants for university education. These grants are paid direct to the governing bodies of the universities.

A sum of £100,000 was formerly voted annually by Parliament for aiding university colleges in Great Britain, excluding Wales; this was increased to £150,000 for 1911-12 and subsequent years. Grants amounting to £27,000 annually are voted in aid of the expenses of the University and the university colleges of Wales. In addition to the above, the following sums are voted annually in aid of the expenses of the several universities mentioned—

	£		£
London	8,000	Liverpool	2,000
Birmingham	2,000	Manchester	2,000
Bristol	2,000	Sheffield	2,000
Durham	2,000	Wales	4,000
Leeds	2,000		
		Total (England and Wales)	26,000

The administration of the grants to university colleges was recently transferred from the Treasury to the Board of Education, and a committee was appointed by the latter to advise the Board as to the distribution of the sum at their disposal. This committee, in a report dated 28th March, 1912, recommended considerably increased grants to the London colleges. Formerly the proportion of income derived from Government grants was considerably less in the case of London colleges than in the case of provincial colleges, but the increased grants now given will go some way towards redressing this grievance.

The latest statistics relating to the colleges concerned are for the year 1910-11. If the additional sums granted for the year 1911-12 are added the figures work out as follows:—

	Exchequer grants.	Total income.	Percentage of grants to total income.
	£	£	
London university colleges ...	48,696	147,791	32.9
Provincial colleges ...	180,639	504,309	35.8
Total (England and Wales) ...	229,335	652,100	35.2

It will be seen that the proportion of income received from grants is still somewhat lower in London than in the rest of the country. This is due to the large grants given to the colleges in Wales, where the average proportion of income received from Exchequer grants was 54 per cent.

(7) MISCELLANEOUS GRANTS.

In addition to the sums received through the Local Taxation Account and the grants received in respect of education the Council receives other grants out of Imperial revenues in aid of certain services conducted by the Council. The amount of these grants is comparatively small, but a few particulars relating to them may be given in order to complete my review of the subject.

These grants relate to—

- Inebriate reformatories.
- Reformatory schools.
- Places of detention.
- Fire brigade.

Grants for inebriate reformatories are governed by the Inebriates Act, 1898, section 8 of which provides that "The Treasury may contribute out of moneys provided by Parliament such sums and on such conditions as the Secretary of State recommends towards the expenses of the detention of persons in certified inebriate reformatories." The Council receives grants calculated at 10s. 6d. a week for each inmate of the Farmfield reformatory, the total grant amounting to about £2,500 a year, while the net expenditure on the reformatory, including debt charges, is about £7,000 a year. The larger number of the inebriates for whom the Council has to provide are, however, sent to institutions maintained by private or philanthropic enterprise. These institutions receive grants direct from the Government, and the Council thus receives indirectly the benefit of the Government grants in respect of these cases also.

Grants in respect of reformatory schools are now regulated by section 73 of the Children Act, 1908, which provides for the voting by Parliament of such sums as the Secretary of State may, with

the approval of the Treasury, recommend. Since the closing of the Feltham industrial school the Council has ceased to provide for reformatory cases in its own institutions and has decided to send all such cases to reformatories maintained by other authorities and societies. As in the case of the inebriate homes, these institutions receive Government grants direct, and the Council indirectly benefits in the rates charged for maintaining the children sent thereto.

The Children Act, 1908, was also responsible for placing upon the Council the duty of providing places of detention for juvenile offenders. The Act authorises the payment of contributions out of moneys provided by Parliament towards the cost of maintenance of children so detained. Expenditure by the Council under this head amounted in 1911-12 to £4,469 (including loan charges), and the parliamentary grants to £1,295, equal to 29 per cent. of the expenditure.

The grant payable to the Council from Imperial funds in respect of the Fire Brigade dates from the Act of 1865 under which the brigade was established. Section 18 of the Act provides that "The Treasury shall pay, by way of maintaining the fire brigade, such sums as Parliament may from time to time grant for that purpose, not exceeding in any one year the sum of ten thousand pounds." The maximum grant allowed by the Act has since been paid annually; it is voted by Parliament and appears in the Civil Services estimates under the heading of "Rates on Government Property." The contribution is peculiar to London.

Mention should also be made of the salaries of the magistrates of the metropolitan police courts. These salaries are paid out of Imperial funds, and, although the moneys do not pass through the hands of any rating authority, they are in the nature of a subvention in aid of local taxation, the salaries of the stipendiary magistrates in provincial towns (except at Chatham and Sheerness) being paid out of local funds. The amount for 1911-12 was £37,665.

Certain grants have been promised in connection with the National Insurance Act, 1911, and the provision of sanatoria for the treatment of tuberculosis. These are dealt with in a later section of this report (see V.—*Effects of recent and proposed legislation*).

(8) SUMMARY.

Having dealt with all the "national" services individually, it will be well now to summarise the figures, so as to show London's position as regards these services as a whole. The following table shows the net cost in London in 1910-11 of the services regarded by the Royal Commission on Local Taxation as preponderantly national in character, excluding main roads, for which no figures can be given, and the proportion of such cost borne by national funds:—

Services.	Net cost (1910-11).	Proportion borne by Imperial subventions.	
		Amount.	Percentage of net cost.
	£	£	
Poor relief, etc.—			
Poor relief (including maintenance of pauper lunatics by guardians)	3,717,632	256,197	6·9
Lunacy—Asylums	179,433	nil	—
Other expenditure	30,412	6,884	22·6
Registration of births and deaths	12,966	561	4·3
Vaccination	26,268	3,323	12·7
Police	1,860,850	740,399	39·8
Criminal prosecutions	23,161	nil	—
Public health officers	(a) 73,024	35,291	48·3
Total for services other than Education ...	5,923,746	1,042,655	17·6
Elementary education	4,546,920	1,322,489	29·1
Higher education	947,567	386,919	40·8
Total	11,418,233	2,752,063	24·1

It will be seen that of the net cost incurred by London authorities in respect of these services only 24 per cent., on the average, is now borne by Imperial subventions. For services other than education, the proportion so borne is only 17½ per cent. If the cost of maintaining main roads could be included the percentage would, of course, be still less, as there is no money from the Exchequer Contribution Account available for this service in London.

(a) Taken at twice the amount of the grants due.

The following table gives similar information for the whole of England and Wales, *excluding* London, but including the cost of "main" roads in counties (figures of cost for county boroughs are not available) :—

Services.	Net cost (1910-11).	Proportion borne by Imperial subventions.	
		Amount.	Percentage of net cost.
Poor relief, etc.—	£	£	
Poor relief (including maintenance of pauper lunatics by guardians)	10,504,418	1,730,616	16·5
Lunacy—Asylums	(a) 968,897	nil.	—
Other expenditure (excluding pensions)... ..	89,144	12,903	14·5
Registration of births and deaths	88,816	8,864	10·0
Vaccination	168,916	18,051	10·7
Police	4,377,751	1,815,570	41·5
Criminal prosecutions	172,339	(b) 172,339	100·0
Public health officers	291,002	145,501	50·0
Total for services other than Education and main roads	16,661,283	3,903,844	23·4
Elementary education	19,200,109	10,092,925	52·6
Higher education	3,015,059	1,598,719	53·0
Total (corresponding with London total) ...	38,876,451	15,595,488	40·1
Main roads in counties	3,068,560	(c) 1,444,010	47·1
Grand total	41,945,011	17,039,498	40·6

It will be seen that taking the whole of the national services locally administered, excluding main roads, the proportion borne by Imperial subventions was 40 per cent., while in London, as shown above, only 24 per cent. of the cost of such services was borne by Imperial subventions.

The factor of assessable value.

It may be contended that, in view of the high assessable value of London, it is not necessary for such a large proportion of the cost of national services to be borne by the State as in certain provincial areas, since the balance of cost falling on rates does not press so heavily on a locality possessing a high assessable value. This point has already been dealt with in connection with the Aid Grant for elementary education, in regard to which the high assessable value of London and other areas similarly situated, operates to reduce the scale of grant. It is pointed out that in London high assessable value is accompanied and more than counterbalanced by a high scale of cost. This condition is not confined to the education service, but affects to some extent all the principal local government services in London. The higher cost appears to be inherent in the conditions of a large community like London, however economical the administration. It is due, among other things, to the higher cost of land, the higher cost of building in the London district and the higher prices of necessities, resulting in higher scales of salaries and wages. This point was dealt with at some length in my report on *Comparative cost of municipal services*, published in November last, and need not be elaborated here. Sufficient has been said to show that to take account of the high assessable value of London and similar areas, without taking account of other peculiar conditions accompanying it, is inequitable.

It may be desirable to say a few words at this point on the general question of introducing assessable value as one of the main factors in determining the amount of grant to be given to the different areas, with the result that so-called "poor" districts (*i.e.*, those possessing a low assessable value) obtain a larger share of the grant at the expense of the so-called "rich" districts (*i.e.*, those possessing a high assessable value). The idea that the amount of the grant from the National Exchequer in aid of a national service administered locally should be made to depend in part upon the so-called ability of each district to bear the burden of the local rates generally, or of the rate required for the particular service in question, appears to rest upon a misapprehension of the proper economic relations between the State and the local authorities in regard to the administration of such services. The obligation of the State to contribute towards the cost of a national service arises from the inherent nature of the service, and the amount of the State contribution should be determined by the extent and quality of the service, and should not be made to depend in part upon whether the locality is "rich" or "poor."

There appears to be no sufficient reason why districts with a high assessable value should be, as it were, penalised in the distribution of assistance from the National Exchequer; in other words, why a portion of the grants otherwise due to them on equitable and logical grounds should be allocated to districts with a low assessable value.

(a) Expenditure in 1909-10, the figure for 1910-11 not being available yet.

(b) Expenditure assumed to be a first charge on the surplus from assigned revenues.

In the few cases in which there is no such surplus this expenditure is met out of rates. As, however, the local Taxation Returns do not give the cost of criminal prosecutions in detail, it has not been possible to make the necessary adjustment.

(c) Surplus from assigned revenues, after allowing for the cost of criminal prosecutions.

This figure includes the county borough surpluses, although the £3,068,560 excludes the cost of main roads in county boroughs, the figures not being available.

The "national" as opposed to the "local" value of such a service as education must be the same wherever it is administered, and if such value be assumed for argument at one-half, then local authorities, however situated, may fairly claim from the State one-half of their reasonable and necessary expenditure in administering the service. In the most recent case of grants this has been admitted. I refer to the new grant of one-half of the cost of treatment of tuberculosis. It is understood that each local authority will receive 50 per cent. of its expenditure. Undoubtedly there are some districts where, owing to special local conditions, the balance of the cost falling on the local rates in respect of certain national services is more than they can bear; in these cases a super or extra grant may well be given by the State, but such a grant should be additional to a grant given as the result of equal treatment, and should not come out of the grant otherwise payable to other local authorities. The strength of the case for basing grants partly on the rating resources of an area rests mainly on the needs of the poorer areas, and the practical impossibility of requiring from them efficient administration of a national service unless specially aided. The government grant comes in and helps to bridge over a rating difficulty, due to exceptional local conditions.

However this question of basing grants partly upon assessable value is decided, it can be shown that London is at present unfairly treated in the matter of grants, even if consideration is paid to its high assessable value; in other words, that the rate burden for these national services in London is much heavier than it is in the rest of the country. I now proceed to give figures in support of this point.

Charge on rates for "national" services.

The following table, shows the total cost of the "national" services, as given in the tables on pp. 29-30, converted into rates per pound of rateable value, with the proportion borne by Imperial subventions and rates respectively:—

	Amount (1910-11).			Average rate per £ of rateable value.		
	Net cost of "national" services. (excluding main roads).	Borne by Imperial subventions.	Borne by rates and borough funds. (a)	Net cost of "national" services. (excluding main roads).	Borne by Imperial subventions.	Borne by rates and borough funds. (a)
	£	£	£	s. d.	s. d.	s. d.
London	11,418,233	2,752,063	8,666,170	5 0·8	1 2·7	3 10·1
Rest of England and Wales ...	38,876,451	15,595,488(b)	23,280,963	4 6·2	1 9·7(b)	2 8·5
Total	50,294,684	18,347,551	31,947,133	4 7·6	1 8·3	2 11·3

From the above figures it will be seen that the charge on rates in respect of the national services administered locally (excluding main roads, for which complete figures are not available), is much higher in London than in the rest of the country. This difference is due in part to the higher proportionate cost of the services in London, and in part to the comparatively small amount of relief received by London from Imperial subventions.

From the above figures, the following deductions can be drawn:—

(i.) That, in spite of London's high rateable value, the cost of national services administered locally is higher, *in proportion to rateable value*, than in the rest of the country.

(ii.) That the amount received from Imperial subventions in the provinces is considerably greater, in proportion to rateable value, than in London, the excess being about 60 per cent.

(iii.) That, in consequence, the charge on rates for national services is higher in London than in the provinces by a rate of 1s. 1·6d. in the £.

Rateable value is not altogether a satisfactory measure of ability to bear taxation, and it can be shown that, as between London and the provinces, the higher standard of rent in London does not necessarily indicate a higher taxable capacity. If, however, this objection be waived for the nonce, and rateable value be regarded as representing an approximately fair measure of ability, it is a fair contention that as the cost of national services is higher (in proportion to rateable value) in London than in the provinces, the amount of State aid (in proportion to rateable value) towards the cost of those services should be greater in London, instead of being less, as is at present the case. This would be effected if London received the same proportion of the cost of the national services as is received by the rest of the country.

(a) Including amounts borne by grants under the Agricultural Rates Acts.

(b) Excluding the surplus from assigned revenues applicable to main roads. This amounted to £1,444,010, equivalent to an average rate of 2d. in the £. The total amount of Imperial subventions received by provincial authorities was thus equivalent to a rate of 1s. 11·7d. in the £. The cost of main roads in counties, *viz.*, £3,068,560, was equivalent to a rate of 6·3d. in the £ on the total rateable value of counties.

III.—GRANTS FROM THE ROAD IMPROVEMENT FUND.

(1) CONSTITUTION AND INCOME OF THE FUND.

The Road Improvement Fund, which is administered by the Road Board, was established under the Development and Road Improvement Funds Act, 1909. The following revenues are paid into the Fund :—

(a) The proceeds of the motor spirit duty of 3d. per gallon, imposed by the Finance (1909–10) Act, 1910.

(b) The proceeds of the carriage licence duties collected by county and county borough councils in excess of the proceeds in the year 1908–9, a sum equal to the latter being paid direct to county and county borough councils, as already stated.

As these revenues amount to over £1,000,000 per annum, the administration of this Fund is a matter of great importance to local authorities.

The Road Board has power (i.) to make advances to county councils and other highway authorities in respect of the construction of new roads or the improvement of existing roads, and (ii.) to construct and maintain new roads. Advances may be made either by way of grant or loan, and where an advance is made in respect of a new road the Board may also contribute towards the cost of its maintenance.

For the purposes of the Act the expression “improvement of roads” includes “the widening of any road, the cutting off the corners of any road where land is required to be purchased for that purpose, the levelling of roads, the treatment of a road for mitigating the nuisance of dust, and the doing of any other work in respect of roads beyond repairs essential to placing a road in a proper state of repair; and the expression ‘roads’ includes bridges, viaducts and subways.”

Within the above limits Parliament has left the Road Board an entirely free hand in regard to the allocation of the funds at their disposal, both as between England, Scotland and Ireland, and as between the various local areas in the three countries.

Income of the Road Board.

The total income of the Road Board accrued up to 31st March, 1912 (including £83,898 received after that date), amounted to £2,184,314, the amounts received from the several sources for each year being as follows :—

	1909–10.	1910–11.	1911–12.	Total.
	£	£	£	£
Motor spirit duties	290,703	410,376	591,782	1,292,861
Carriage licence duties (excess over proceeds in 1908–9)	—	(a) 460,266	403,271	863,537
	290,703	870,642	995,053	2,156,398
Interest from investments	—	4,852	23,064	27,916
	290,703	875,494	1,018,117	2,184,314

(a) 1st January, 1910, to 31st March, 1911.

The amount of the duties paid into the Fund during the year 1912–13 was £1,172,204.

(2) LONDON'S CONTRIBUTION TO THE FUND.

Of the carriage licence duties paid into the Fund (*i.e.* the excess over the proceeds in 1908–9) the following amounts were collected in London :—

1910–11 (in respect of the period from 1st January, 1910) ..	£70,662
1911–12.. .. .	67,767
	<u>£138,429</u>

This amount is equal to 16 per cent. of the total receipts from carriage duties paid into the Fund.

No definite information is available as to the amount contributed by London to the motor spirit duty (or petrol tax), but it is possible to make a rough estimate, based on the number of motor vehicles licensed and the average quantity of petrol consumed. On this basis it is estimated that the total contribution in respect of vehicles licensed in London in 1912 is about £140,000 per annum, or about 24 per cent. of the total amount received by the Road Board for 1911–12. This estimate is borne out by the estimate of the Chancellor of the Exchequer, who, in the debate on the Development and Road Improvement Funds Bill of 1909 said : “Probably about a third or a fourth of the tax is derived from London, but it is not proposed that a fourth of the money shall be distributed in London.” (Debates, 6th September, 1909, p. 1010.)

Taking the carriage duties and the petrol duty together, the total contribution made by owners of London motors may be put at not less than £200,000 per annum, or one-fifth of the income of the Road Board.

(3) GRANTS MADE FROM THE FUND.

The grants made by the Road Board up to 31st March, 1912, amounted to £517,114. The following summary shows the amounts granted for the different kinds of works in the three countries :—

	England and Wales.	Scotland.	Ireland.	Totals.
	£	£	£	£
Improvement of road crusts	294,779	76,750	50,420	421,949
Road widenings and improvement of curves and corners.	51,884	3,401	1,548	56,833
Road diversions	12,707	5,569	—	18,276
Reconstruction and improvement of bridges ...	13,727	1,401	—	15,128
New roads and bridges	4,928	—	—	4,928
Totals	378,025	87,121	51,968	517,114

The amounts granted during the year 1912-13 have not been published in quite so much detail, but the following table shows the figures available as to the grants made up to 31st March, 1913 :—

	England and Wales.	Scotland.	Ireland.	Totals.
	£	£	£	£
Improvement of road crusts	702,929	130,179	82,258	915,366 (a)
Road widenings and improvement of curves and corners	98,661	12,315	1,656	112,632 (a)
Road diversions				
Reconstruction and improvement of bridges ...	98,763	6,202	90	105,055
New roads and bridges				
Totals	900,353	148,696	84,004	1,133,053
Percentage of total	79.5	13.1	7.4	100

(a) These totals differ slightly from the totals given in the latest statement issued by the Road Board, viz., £913,400 and £112,267. The latter, however, are not divided between the three countries.

In addition to the above sums grants to the amount of about £1,579,438 had been indicated, though not formally made. Advances by way of loan had also been arranged to the amount of £140,060.

Grants to London authorities.

Up to 31st March, 1913, the only grants made to London authorities were the following :—

Battersea Borough Council	£7,500
Fulham do.	1,287 (towards cost of experimental works).
Hampstead do.	1,000 (with a loan of £5,000 for five years free of interest.)
Holborn do.	1,000
Poplar do.	10,000
Stoke Newington do.	1,000
Wandsworth do.	1,447 (towards cost of experimental works)

£23,234

Several other metropolitan borough councils have recently been in negotiation with the Board, and further grants have been made or offered amounting to about £80,000, and it should be borne in mind that the Board were willing to make a grant of £875,000, spread over a series of years, towards the cost of the proposed Western Approach road, of which grant £500,000 would have come to the County of London. The above amount, however, is the total amount actually granted to London authorities up to the 31st March last, the latest date for which complete figures are available.

(4) PRINCIPLES OF DISTRIBUTION.

(i.) *Apportionment between England, Scotland and Ireland.*

In allocating the funds at their disposal among the various areas the Board appear to have had regard mainly to population. In their first annual report (p. 5) the Board said :—

“In connection with the consideration of applications for advances from England and Wales, Scotland and Ireland respectively, it was necessary to form some approximate estimate of the amount of money which could be advanced towards works of improvement in each of the countries and to settle some general principle of division.

“Consideration was given to the question whether the share of Ireland should be specially limited in view of the comparatively small burden which motor traffic has hitherto thrown upon Irish roads, and in view of the fact

that the Irish contributions to the motor licence duties and motor spirit duties, although the precise figure cannot be ascertained, is comparatively small. But it was on the whole thought advisable, at all events as regards the first distributions of grants and loans, to allocate to Ireland as well as to Scotland shares of the fund on some general principle, without regard to the comparative dimensions of their respective contributions to the Fund, and consequently the Board decided to apportion the total amount to be dealt with in the first year of their operations between England and Wales, Scotland and Ireland, approximately in the ratio of population, and for the present to treat the sums so allocated as separate funds out of which grants could be made to meet the applications which might come in from highway authorities in the different countries."

The populations of the three countries are in the following ratio:—

England and Wales	79.8 per cent. of United Kingdom.
Scotland	10.5 do. do.
Ireland	9.7 do. do.

The adoption of population as a basis for the division of the Fund among the three countries introduces a new principle into the distribution of funds of this kind. The assigned revenues previously existing are divided between the three kingdoms on the basis of contribution. The licence duties are allocated according to the amount collected in the three kingdoms, and the estate duty grant and the beer and spirit surtaxes according to the proportions in which the three areas were estimated to contribute to Imperial taxation at the time of the passing of the Local Government Act, 1888, viz. :—

England and Wales	80 per cent.
Scotland	11 per cent.
Ireland	9 per cent.

These proportions, it will be observed, are almost the same as the population proportions, but the proportions in which the three areas contribute to Imperial taxation have changed considerably since 1888, the estimated contributions for 1911-12 being in the following proportions :—

England and Wales	83½ per cent.
Scotland	10½ per cent.
Ireland	6 per cent.

It will be seen that the contribution of Ireland to Imperial taxation is now only two-thirds of its population proportion.

It is not clear, however, that either of the above ratios forms an equitable basis for the allocation of the monies paid into the Road Improvement Fund. The taxes from which the income of the Fund is derived were imposed for the specific purpose of raising funds to meet the increased cost of roads due to motor traffic and the improvement of the roads, and it is probable that this increased cost would accrue much more nearly in proportion to the amount of the motor taxes raised in the three areas than in proportion either to population or to the contributions to general Imperial taxes, since the amount of the motor taxes raised gives some indication of the proportionate amount of motor traffic in the three areas.

The amounts estimated to be contributed by the three sections of the kingdom to the duties allocated to the Road Improvement Fund are as follows :—

England and Wales	£2,020,000	..	89.0 per cent.
Scotland	172,000	..	7.6 per cent.
Ireland	78,000	..	3.4 per cent.
	<hr/> £2,270,000 <hr/>	..	<hr/> 100 per cent. <hr/>

(The above amount is the gross amount received by the Exchequer up to 31st March, 1912, before deducting cost of collection.)

From these percentages it will be seen that if the amount available had been allocated to the three countries in proportion to the amount contributed, Scotland and Ireland would have received considerably less than they would in proportion to population.

(ii.) *Distribution among local areas.*

As already stated, the preliminary apportionment of the Fund between England, Scotland and Ireland was made on the basis of population, and the following paragraphs from the Board's circular to county borough councils (December, 1912) suggest that they take population as a guiding factor in allocating grants to individual areas—

"The aggregate amount which the Board are prepared to treat as available at the present time for grants or short loans to county borough councils is £400,000.

"The Board are unable to assist county borough councils in the selection of the works to be proposed for grants by indicating the amount likely to be granted to each council, as they are not prepared to allocate the total sum on any fixed principle. The grants will be settled after consideration by the Board of the applications which may be received. The Board suggest, however, that it would be desirable for each county borough council to calculate what percentage of the above-mentioned sum of £400,000 would be allocated to them if the allocation were made in the ratio of the population of county boroughs, inasmuch as any council would be unlikely to get more than a share on population basis except for some work of exceptional public value. The grants which may be made for such special works will necessarily reduce the amount available for other works, and may result in the Board being unable to make any grants at the present time to a considerable number of county boroughs."

In their circular to metropolitan highway authorities (6th December, 1912), the Board stated that the aggregate amount they are prepared to treat as available at the present time for grants or short loans to highway authorities in the metropolitan police area is £250,000. No mention is made of population in this letter, but the amount mentioned is probably based on population.

Taking the annual income of the Board at £1,000,000, the application of the population ratio would make the amount available for grants to London authorities about £100,000 (10 per cent) annually. On the same principle, the amount available annually for grants to authorities within the metropolitan police area would be about £160,000 (16 per cent.) annually, and the amount available for county boroughs in England and Wales about £240,000 (24 per cent.) annually.

In their second annual report the Board discuss the relative position of urban and rural areas with regard to the burden of road expenditure, and the following paragraph may be quoted (p. 6)—

“There are two quite distinct problems connected with roads, each of which has a different origin and requires a different treatment. One of these problems arises from the growth of population in cities, towns and other urban areas. This growth has led to the necessity for extensive reconstruction of roads and streets in order to provide for the greater volume of traffic, chiefly local, which has caused congestion at many points in urban districts, requiring for its remedy either the construction of new streets or the widening of existing streets, but the substitution of motor traffic for horse drawn traffic has tended not to increase but rather to relieve this congestion. The other problem arises directly from the introduction and rapid increase of motor traffic and is concerned chiefly with roads passing through rural areas and inter-urban roads, the crusts of which were, and still are, over a very large mileage insufficient in strength and unsuitable in character for the use of such traffic. Both of these problems have created situations of great difficulty for highway authorities, but they affect the general interests of the community in different ways and raise very different questions in relation to the administration of the Road Improvement Fund.”

The Board then proceed to discuss the relative claims of urban and rural areas to grants, and their views may be indicated by the following quotations (pp. 7-8)—

“The density of local traffic is so great in urban areas that the Road authorities have been and are obliged, for purely local purposes and in local interests, to maintain their roads on a standard of strength and efficiency adequate for the purposes of all traffic, and the volume of non-local or through traffic, in which the general community may be said to have a direct interest, is in most cases so small a proportion of the total traffic in these areas that it does not materially affect the cost of maintenance or add anything to the necessity for such improvements and widenings as may be needed to meet local requirements. Such improvements, if they were not essential for local needs, would not, except in comparatively few cases, be needed to meet any separate requirements of through traffic.

“So far, therefore, as improvements, either in road crusts or width of roads in urban areas are concerned, it may be said that these will be carried out without assistance from the Road Improvement Fund, for local purposes, and also that it is not unfair that the cost of these local needs should be provided from local resources.

* * * * *

There will, of course, be many cases where street improvements, not essential for local purposes, are much wanted for some purposes of through traffic, and such cases must be dealt with on their merits, but the Board have taken the view that, generally speaking, whilst the available monies are greatly needed to deal with the pressing problem of improvements on inter-urban roads and roads of main communication in rural areas, they should not make many grants for urban street widenings required mainly for local purposes.”

No exception could be taken to this argument if the grants from the Road Improvement Fund were derived from general national revenue. The revenues of the Fund, however, are derived from taxes which were imposed for the specific purpose of raising funds to meet the increased cost of roads due to motor traffic. This traffic is not wholly, or even mainly, in London, through traffic. The motor traffic which has been the cause of most of the increased expenditure on roads in London, viz., that of motor omnibuses and heavy commercial vehicles, is to a large extent local, i.e., it is confined mainly to London and its environs. But it cannot reasonably be contended that the tax revenue derived from this traffic should go towards the improvement of main roads in distant parts of the country, rather than to that of the roads which are used by this heavy traffic and must be made adequate to carry it.

In view of the purpose for which the taxes in question were imposed, and of the fact that the petrol tax was specially designed to secure a contribution proportionate to the use made of the roads, it would seem that in the distribution of the Fund some regard should be paid to the amount contributed by a given area, as indicating the extent of the use made by motor traffic of the roads in such area.

It is doubtful, however, whether it is possible to make a sufficiently reliable estimate of the contribution to the motor taxes made by vehicles using the roads of any local area to form a basis for the apportionment of grants. An estimate of the amount raised in respect of motors licensed in London is given above; but these motors are not confined to London roads, and, although in the case of omnibuses and cabs the great bulk of the traffic is within the County, in the case of private motors a considerable proportion of the traffic would be beyond the County, and this would probably not be fully balanced by the use made of London roads by motors not licensed in London.

The alternative to allocation according to proportion contributed is allocation according to needs, and the needs of the various areas would appear to be better indicated by expenditure on roads than by population. It is probable that in London the amount of road traffic per head of the population is greater than in any other county area, and it might be expected that the cost of roads would be high compared with the rest of the country. A table showing the expenditure on roads by the various classes of authority in 1908-9 is given in the second annual report of the Road Board, and the following figures are given, showing the amount per head of expenditure on *maintenance* of roads in the areas referred to—

	Expenditure per head of population.
London	36·8d.
County boroughs	27·3d.
Counties (England and Wales)	72·4d.

† These figures, however, relate to maintenance and repair only and exclude loan charges and expenditure on improvements, cleansing, scavenging and watering. If the whole expenditure on roads be included, the figures work out as follows:—

	Expenditure per head of population.
London	105.5d.
(If L.C.C. expenditure on street improvements and embankments were included, the figure would be 144.8d.)	
County boroughs	81.9d.
Counties (England and Wales)	89.4d.

From these figures it will be seen that the expenditure on roads per head of population was substantially higher in London than in the provinces. Corresponding figures for a later year are not available, but there is no reason to suppose that later figures would show a smaller difference in cost between London and the provinces—on the contrary, in view of the great increase in heavy motor traffic in London in recent years, the difference would probably be accentuated.

If the grants from the Road Improvement Fund were allocated in proportion to the total expenditure on roads as given in the Road Board report, instead of in proportion to population, London would receive about $12\frac{1}{2}$ per cent. of the total, or, say, £125,000 annually, instead of £100,000. If L.C.C. expenditure on street improvements and embankments were included in the basis of apportionment, London's share would be about 16 per cent., or £160,000, and, in view of the large proportion of the motor taxes contributed by London, it is submitted that £150,000 per annum should be the minimum amount which London should receive.

(iii.) *Proportion of cost of works borne by grants.*

Equally important with the question of the amount provisionally allocated to the London district, is the question of the ratio borne by the grants to the cost of the works undertaken, or, in other words, the extent of the additional burden placed on the rates in connection with the grants from the Road Improvement Fund.

It appears that the Board commenced with the idea of making grants of 75 per cent. of the estimated cost of improvements undertaken, as will be seen from the following paragraph from the Board's first annual report (p. 8)—

"In settling the amount of a grant the Board have generally endeavoured, so far as the funds available would permit, to fix it in each case, as nearly as practicable, at 75 per cent. of the net cost of the improvement contained in the work. The net improvement cost, in the case of road surfacing work, is ascertained, as explained in paragraph 32, after due allowance has been made for the portion of the total cost which is properly chargeable to maintenance account. But in many cases it is so difficult to distinguish between the cost attributable to improvement and that attributable to inferior or neglected maintenance, that the Board have been obliged to make grants on the basis of smaller proportions of the total cost instead of attempting to deal separately with the estimated improvement cost. In Ireland especially, the Board, whilst willing in all cases where the circumstances permit it, to make grants of 75 per cent. of the net improvement cost of approved works, have, as a rule, consented to grant 50 per cent. of the total cost of approved road crust work."

Particulars of the individual grants are appended to the Board's report, showing the estimated cost of the improvement and the amount of the grant, and from these particulars it appears that the average proportion of the estimated cost borne by the grants was $53\frac{1}{4}$ per cent. In a good many cases however, the estimated cost included works which were regarded by the Board as "maintenance" rather than "improvement," so that the percentage of the cost of "improvement" would be higher than this.

In their second year the Board appear to have reduced somewhat their standard of grants. No mention is made in the second annual report of the percentage of cost granted, but from the details given as to the individual grants it appears that the average proportion of estimated cost granted was $47\frac{1}{4}$ per cent. in the whole Kingdom. In the case of authorities in England and Wales the average proportion was $42\frac{1}{2}$ per cent. This average, however, includes cases in which the estimated cost includes works which are regarded by the Board as "maintenance" rather than "improvement," and in which, therefore, a smaller percentage was granted. If these cases are eliminated the average ratio borne by the grants to the estimated cost in England and Wales works out at $50\frac{1}{2}$ per cent.

In the case of Scottish authorities the average percentage borne by grants to estimated cost of works was $66\frac{1}{2}$ per cent. In the case of Irish authorities the average percentage was $49\frac{1}{2}$ per cent., but the estimated cost in the great majority of Irish cases included the cost of works other than "improvements," so that the average percentage of the cost of improvement works was no doubt considerably higher than $49\frac{1}{2}$ per cent.

In their circular to London authorities the Board make the following statement with regard to the relationship of grants to cost of works undertaken—

"Having regard to the amount available for grants and the amount for which applications are likely to be made by the highway authorities, on which the burden of road expenditure is exceptionally heavy in relation to assessable value, the grants will probably in most cases range from 10 to 50 per cent. of the cost of the works proposed."

From this it would appear that the Board have adopted a lower standard of grants for London than for provincial authorities. This is a serious matter, as the granting of so small a proportion of cost as suggested in the circular would entail either an excessive burden on the rates in particular years

or else a resort to borrowing for repaving works, a practice which the Council has discouraged in recent years. Applications have been received from several borough councils for loans in connection with works to which the Road Board are disposed to make grants. It will be difficult to refuse sanction to loans in cases in which borough councils have undertaken large works of improvement in connection with grants from the Board. If, however, a larger proportion of the estimated cost were met by grants it would be easier for the borough councils to meet the balance out of current rates.

From the information available in regard to recent negotiations with the Board by metropolitan borough councils, it would appear that the grants operate as an inducement to force the local authorities to spend large sums out of rates or loans on works to which the Board are not contributing. Thus, in some cases, while the grant promised is a fairly high proportion of the estimated cost of the particular works in respect of which it is nominally made, it is less than 20 per cent. of the total estimated cost of the works which the borough council has undertaken in order to secure the grant. If the object of the Fund was to relieve the rates of part of the burden of expenditure necessitated by the rapid increase of motor traffic, it does not appear that the object will be secured if for every £100 granted from the Fund a sum of £300 or £400 has to be spent out of rates, unless it can be assumed that the whole of the new expenditure would have had to be incurred if no grants were available from the Fund; but such an assumption is not a reasonable one, as local authorities, in undertaking works of this kind, must have regard, to some extent, to the amount of the funds available.

Assessable value taken into account.

The lower standard of grant for London has apparently been adopted on the ground that the cost of roads in London, in proportion to the assessable value, is not so high as elsewhere.

The introduction of the factor of assessable value in the settlement of the amount of the grants raises an important question, which affects not only the grants referred to, but the whole question of grants in aid of local taxation, which is at present under consideration by the Departmental Committee on Local Taxation.

The only case in which statutory authority has been given for the introduction of assessable value into the calculation of a grant is that of the aid grant under the Education Act, 1902, and it has already been pointed out how unfair this grant is to London (see p. 23).

A high assessable value does not necessarily indicate a high ability to bear taxation, and a good deal of the evidence given on behalf of the Council before the Department Committee was directed against that theory. The Departmental Committee will no doubt take this matter into consideration among the other questions bearing on their reference, and while the question is *sub judice* it is inexpedient that the factor of assessable value should enter into the distribution of the grants from the Road Improvement Fund.

(iv.) Summary.

The points of criticism brought out in this section may be summarised as follows:—

- (i.) The apportionment of the Road Improvement Fund between England, Scotland and Ireland should be on the basis of the amounts contributed instead of on the basis of population.
- (ii.) In the allocation of grants regard should be had to the needs of the various areas, which are better indicated by expenditure on roads than by population.
- (iii.) The carrying out of works to which the Road Board does not contribute should not be made a condition of grants from the Fund.
- (iv.) Assessable value should not be taken into account in the distribution of grants.

IV.—THE LAND VALUE DUTIES.

The promise to allocate one-half of the produce of the new duties on land values to local authorities was originally made in the course of the proceedings on the Finance Bill of 1909, which would have appropriated for Imperial purposes a source of revenue which had long been regarded as peculiarly adapted for the purpose of affording relief to local rates, and in announcing his intention of dividing the proceeds of these duties between the State and the local authorities, the Chancellor of the Exchequer stated that in his opinion localities had an undoubted claim on these taxes, and the Government were prepared to accept the principle that half of the taxes should be allocated to local purposes.

The provision for the allocation of the duties among local authorities as it appears in the Finance (1909–10) Act, 1910 (sec. 91) is as follows—

(1) There shall be charged on and paid out of the consolidated fund or the growing produce thereof a sum equal to one-half of the net proceeds of the duties on land values under Part I. of this Act (including mineral rights duties).

(2) The sums so charged shall be carried to a separate account, to be established under regulations made by the Treasury for the purpose, and, subject to such regulations as may be made by the Treasury in respect of accounts, audit and accumulation of moneys standing to the account, be appropriated for the benefit of local authorities in the United Kingdom in such manner as Parliament may hereafter determine.

This provision, however, was suspended by the Revenue Act, 1911, which provided as follows (sec. 16) :—

Section 91 of the principal Act (which provides for the payment of half the proceeds of the duties on land values for the benefit of local authorities) shall be suspended in its operation as from the date of the principal Act until Parliament shall otherwise determine, but not beyond the 31st day of March, 1914. (a)

From this provision it will be seen that the question of the allocation of the moiety of these duties will shortly again become acute.

Basis of distribution.

While the Finance Act of 1909–10 was before Parliament, the Council, on the invitation of the Chancellor of the Exchequer, considered how these new revenues should be allocated, and placed its views before the Chancellor in a memorandum, dated 8th September, 1909, which was approved by the Finance and Parliamentary Committees and the chairman of the Local Government, Records and Museums Committee, and subsequently reported to the Council by the Parliamentary Committee on 12th October, 1909 (pp. 524–8), and approved by the Council. The propositions set forth in this memorandum were as follows :—

(1) That, having regard to the nature and origin of the duties on land values and the probable effect of the Finance Bill on the rateable value and property of local authorities, the question of the allocation of the moiety to be assigned to local authorities should be kept entirely distinct from the question of the re-adjustment of local and Imperial burdens, and the re-allocation of Imperial subventions in aid of national services locally administered.

(2) That the allocation of one-half of the gross proceeds of the increment value duty, the reversion duty, and the undeveloped land duty should be made according to the areas in which the duties accrue, and that for the purposes of an equitable distribution of the duties accruing in and around large towns, urban zones should be created, such zones to comprise (a) the large towns and the contiguous urban districts, or (b) the large towns and such adjacent districts as may be determined by commissioners appointed for that purpose, the proceeds of the duties accruing within such zones to be divided among the local authorities concerned on the basis of assessable value.

(3) That the allocation of one-half of the gross proceeds of the duty on mineral rights should be on the basis of assessable value.

(4) That the proceeds of the new taxation assigned to local authorities should be paid to the London County Council, the town or urban district councils and the county councils, and should be applied to the relief of expenditure for local purposes as distinguished from services performed which are preponderantly national in character.

The arguments by which these conclusions were supported were—

(1) That in their nature and origin the duties on land values are distinctly local, and in so far as they are due to the action of the community, are due to the expenditure and enterprise of the local community and have a distinct relation to the expenditure of a local authority on local services.

(2) That the new taxation, falling as it does on land and other hereditaments, is to be derived from a source from which the greater part of local revenue is obtained.

(3) That the proposals of the Finance Bill, 1909–10, would, it was feared, prejudicially affect the assessable values upon which local rates are raised.

(4) That agricultural districts, which will contribute little or nothing towards the new taxation, can have no just claim to participate in the produce of taxation on the value of urban areas, in the creation of which value they have not assisted.

(5) That the natural basis of allocation of the duties is according to the areas in which they are collected, but that as the benefit of the expenditure and enterprise of a local community extends beyond its particular area, and increases the value of land in the surrounding districts, the local authorities of the great towns should share in the produce of the tax realised in the districts surrounding the area of their administration.

(6) That as the value of mineral rights is in no sense due to any effort or expenditure on the part of particular local authorities a separate scheme of allocation should be applied to the revenue from this source, and the basis of assessable value was suggested on the ground of simplicity and because of the prejudicial effect of the proposals of the Bill upon assessable values.

The prevailing opinion among the boroughs generally as to the basis of allocation is that the duties on land values should be allocated to the districts in which they accrue. There can be no question that this is the natural basis for allocating these taxes. The difficulty arising out of the growth of land values in the neighbourhood of the large towns can be met by the formation of urban zones. In this connection the following paragraph in the separate report of the Royal Commission on Local Taxation on Urban Rating and Site Values may be recalled. The Commissioners said (p. 170)—

“ The question of area is a difficult one. We have no doubt that the scheme should be confined to urban districts in a non-technical sense of the words, and to land which has received

(a) Since the report was submitted the Revenue Bill, 1913, has been introduced. This Bill provides for the amendment of the Revenue Act, 1911, by substituting 31st March, 1915, for 31st March, 1914.

the large increase of value which is associated with a dense population and the execution of the great services of urban local government. But we frankly admit that to define the suitable areas by a precise formula is not easy, for it is well known that some 'urban districts' in the technical sense are really more rural in character than some areas still known as rural."

Produce of the duties.

The amounts so far yielded by the duties on land values are as follows :—

	1910-11.	1911-12.	1912-13.
	£	£	£
Increment value duty	—	6,000	17,000
Undeveloped land duty	2,000	29,000	98,000
Reversion duty	—	23,000	48,000
Mineral rights duty	507,000	436,000	292,000
Total	509,000	494,000	455,000

It is to be hoped that the final allocation of the proceeds of these taxes will not confuse the issues involved in the general question of additional Imperial subventions. It cannot be too strongly emphasised that the promised grant of a moiety of these new taxes in no way meets the claims of local authorities for increased aid from the Imperial Exchequer for police, poor law, education, and other services of a national character.

V.—EFFECTS OF RECENT AND PROPOSED LEGISLATION.

(1.) OLD AGE PENSIONS ACTS, 1908 and 1911.

The grant of old age pensions has been referred to as a partial satisfaction of the claims of local authorities to increased assistance from the Exchequer in respect of the service of poor relief. In this case the assistance given has taken the form of a transfer of part of a national service from local to national funds, and it is desirable to attempt an estimate of the amount of the relief to local taxation thus effected. It is a matter of some difficulty to make a satisfactory estimate, as the influence of the Old Age Pensions Acts cannot be separated from other influences which affect the amount of pauperism from year to year. The period which has to be dealt with was one of expanding trade and decreasing unemployment, to which part of the decrease in pauperism attributed to the effect of the Old Age Pensions Acts may have been due.

There does not appear to have been any appreciable diminution in the cost of poor-relief before 1st January, 1911, when the pauper disqualification for old age pensions was removed. In the half-year ended March, 1911, however, there was a substantial drop in the expenditure on out-relief, and in the following half-year there was a further considerable decrease under that head, and also a small decrease under the head of indoor maintenance.

The detailed figures for the half-year ended September, 1911, compared with those for the corresponding half of the previous year, are set out in the following table :—

	London.			Rest of England and Wales.		
	Half-year-ended Sept., 1910.	Half-year-ended Sept., 1911.	Increase or decrease.	Half-year-ended Sept., 1910.	Half-year-ended Sept., 1911.	Increase or decrease.
	£	£	£	£	£	£
Maintenance of indoor paupers ...	543,901	532,517	—11,384	1,256,310	1,237,086	—19,224
Out-relief	149,235	93,874	—55,361	1,529,123	1,050,109	—479,014
Maintenance of lunatics in asylums, etc.	250,595	248,770	— 1,825	1,005,994	1,020,217	+ 14,223
Salaries, etc.	460,458	478,370	+17,912	941,321	956,162	+ 14,841
Loan charges	252,547	253,073	+ 526	363,368	353,399	— 9,969
Buildings and repairs, furniture, rent, rates, taxes and insurance	183,886	207,709	+23,823	366,715	399,563	+32,848
Other expenditure... ..	59,021	53,327	— 5,694	164,975	155,061	— 9,914
Total expenditure on poor relief ...	1,899,643	1,867,640	—32,003	5,627,806	5,171,597	—456,209

It will be seen that in the later half-year there was a decrease in the expenditure on indoor maintenance and out-relief of £66,745 in London, and of £498,238 in the rest of the country, although, owing to increases under other heads, the total expenditure on poor relief diminished by only £32,003 in London and £456,209 in the rest of the country.

There was a considerable drop in the number of paupers relieved on 1st July, 1911, as compared with 1st July, 1910, and in London in the case of outdoor paupers 90 per cent. of the decrease was in respect of persons over 70 years of age; while in the case of indoor paupers 43 per cent. was

due to such persons. From these figures it would appear that the bulk of the saving in expenditure was due to the operation of the Old Age Pensions Acts. In London, the saving proportionate to the decrease in the number of paupers over 70 years of age would be approximately as follows :—

Maintenance of indoor poor	£5,000
Out-relief	£50,000

The expenditure for the half-year ended March, 1912, is set out in the following table, and compared with that for the half-year ended March, 1910 (the half-year ended March, 1911, was to some extent affected by the removal of the pauper disqualification and cannot therefore be used for comparison) :—

	London.			Rest of England and Wales.		
	Half-year ended March, 1910.	Half-year ended March, 1912.	Increase or decrease.	Half-year ended March, 1910.	Half-year ended March, 1912.	Increase or decrease.
	£	£	£	£	£	£
Maintenance of indoor paupers ...	575,202	617,618	+42,416	1,337,100	1,438,595	+101,495
Out-relief	146,175	101,652	—44,523	1,503,839	1,123,546	—380,293
Maintenance of lunatics in asylums, etc.	249,769	254,941	+ 5,172	1,009,598	1,051,160	+41,562
Salaries, etc.	441,857	482,177	+40,320	897,550	985,053	+87,503
Loan charges	250,844	251,673	+ 829	341,517	350,788	+ 9,271
Buildings, etc.	180,825	200,652	+19,827	342,995	402,339	+59,344
Other expenditure	61,675	60,640	— 1,035	150,435	162,282	+11,847
Total expenditure on poor-relief ...	1,906,347	1,969,353	+63,006	5,583,034	5,513,763	—69,271

It will be seen that in the half-year ended March, 1912, there was no decrease in the expenditure on in-maintenance—there was, in fact, a considerable increase. As regards expenditure on out-relief, however, there was a decrease of £44,523 in London and £380,293 in the rest of the country. From the figures available as to numbers of paupers it would appear that the great bulk (95 per cent.) of the saving in London was due to persons over 70 years of age. Taking £40,000 as the amount due to the operation of the Old Age Pensions Acts, the total saving for the year 1911–12 under the head of out-relief would be £90,000. Although there was an increase in the cost of in-maintenance in the second half-year there was a decrease in the number of indoor paupers—mainly, in those over 70 years of age—so that some saving must be allowed as the result of the Old Age Pensions Acts. The total saving in London for 1911–12 may, therefore, be estimated approximately at £100,000.

With regard to the rest of England the decrease in expenditure on out-relief in 1911–12 was about £860,000, and from the figures as to numbers of paupers it would appear that the whole of this is attributable to the operation of the Old Age Pensions Acts. As in London, there was a decrease in the number of indoor paupers, although the expenditure increased. Allowing for some saving under this head, the total saving due to the Old Age Pensions Acts might be estimated approximately at £900,000, making the total estimated saving for England and Wales at the present time about £1,000,000.

These figures do not, of course, represent the ultimate total saving. Any effect of the fall in the number of paupers on the cost of salaries, maintenance of buildings and loan charges would take some years to materialise, as these charges could not be reduced at once like the expenditure on actual relief in money or in kind. Moreover, allowance must be made for some saving in respect of persons who would have come upon the poor rate in the absence of old age pensions.

Small percentage of expenditure saved in London.

The estimated saving in London (£100,000) represents only 2·6 per cent. of the total expenditure on poor relief in London in 1909–10; while the estimated saving in the rest of the country (£900,000) represents 8·1 per cent. of the total expenditure in 1909–10. The explanation of this difference lies in the fact that the great bulk of the saving is in the expenditure on outdoor relief, and that the proportion of outdoor relief to the total expenditure is much lower in London than in the rest of the country. Thus, of the total number of paupers (excluding insane) maintained by the London guardians in July, 1909, only 37 per cent. were outdoor paupers, whereas in the rest of the country 72 per cent. of the total number were outdoor paupers; and of the total expenditure on poor relief in London in 1909–10 the expenditure on out-relief (excluding salaries, etc.), was only 8 per cent.; while in the rest of the country the expenditure on out-relief was 27 per cent. of the total. This preponderance of indoor relief in London is partly due, no doubt, to the fact that the grants from the Common Poor Fund are so arranged as to form an inducement to guardians to discourage out-relief.

From the figures given above it will be seen that while there was a considerable saving under the head of out-relief in the half-year ended March, 1912, there was very little decrease in the total expenditure on poor relief; indeed, in London there was an increase of £63,006, while in the rest of the country the decrease was much less than in the previous half-year. From this it would appear that the effect of the Old Age Pensions Acts has been in the nature of a temporary arrest in the growth of expenditure on poor relief rather than a diminution of such expenditure.

(2) FINANCE (1909-10) ACT, 1910.—LOSS OF RATES DUE TO INCREASE IN LIQUOR LICENCE DUTIES.

The increase in the intoxicating liquor licence duties effected by the Finance Act of 1909-10 has already been referred to (p. 8), but the effect of this increase on the rateable value of licensed premises, and consequently on the rates, has yet to be dealt with.

Rateable value, being dependent upon the annual rent which a tenant might reasonably be expected to pay for an hereditament, was directly affected by the increase in the licence duties, though not to the full amount of the increase. The licence duty being allowed for in arriving at the "gross value," the rateable value is diminished by the amount of the increase in the licence duty less the necessary deduction for rates, taxes and repairs, so that for every additional £ of duty levied by the State on licensed premises, the rateable value is diminished by approximately 12s. In other words, for every £1 of additional revenue obtained by the Exchequer from these duties the local authorities (assuming an average rate, including water rate, of 8s. 6d. in the £) lose about 5s.

The rateable value of licensed premises in London decreased between April, 1910, and April, 1911, by about £370,000. A small portion of this decrease was no doubt due to causes other than the increased licence duties, and it is estimated that the amount of the decrease actually traceable to the latter is £344,000. The loss of rates on this rateable value (calculated at an average rate in the £ of 7s. 6d.) is £129,000, and of water rate £17,000, making £146,000 in all.

The increase in the yield of the retail liquor licence duties in London in 1909-10, as compared with 1908-9, was £591,826, but the whole of this does not represent increased taxation on the trade, £146,000 of it having been shifted on to the rating authorities. Thus, in effect, the increased licence duties have resulted in diverting that amount from local to national funds. This result is somewhat similar to the effect of the increase in the spirit duties under the same Act, which resulted in a serious diminution in the produce of the surtaxes assigned to local taxation. The latter hardship was recognised by the Government, and remedied by substituting a fixed grant for the produce of the surtaxes, but the former loss has not yet been remedied.

(3) NATIONAL INSURANCE ACT, 1911.

The National Insurance Act, 1911, placed upon the Council financial liabilities, contingent or otherwise, under the following heads:—

(i.) As an employer in respect of certain sections of employees, for contributions in respect of national health insurance and unemployment insurance.

(ii.) In the provision of funds to meet the cost of medical, sanatorium and sickness benefit to the extent of one moiety of any deficiency in the funds of the Insurance Committee (Sections 15 and 17).

(iii.) In subscribing, if the Council thinks fit, to the general purposes of the Insurance Committee (Section 61).

(iv.) In the provision of sanatoria (Section 64).

The potential financial responsibilities of the Council in connection with this Act, however, have been considerably enlarged by the subsequent invitation of the Government to local authorities (including the Council) to undertake schemes for the general treatment of tuberculosis within their areas, not only for insured persons but for the whole community. The Government have offered to make grants amounting to half the estimated cost of treating non-insured persons. This offer was contained in a letter dated 31st July, 1912, from the Chancellor of the Exchequer to Mr. H. Hobhouse, and it was communicated to the Council in a letter dated 6th December, 1912. The terms of the offer were: "The Government have decided to place at the disposal of the Local Government Boards of the three Kingdoms annually a sum of money which will represent approximately half the total estimated cost of treating the non-insured persons as well as the dependants of insured persons. This money will be distributed by the Local Government Boards, in pursuance of regulations to be made by those Departments, to local authorities which undertake schemes to be approved by the Departments for the general treatment of tuberculosis in their areas, and provision will be made accordingly for these grants in the estimates of the three Departments."

Thus, as regards maintenance expenditure, roughly speaking, the Government proposes to share with the local authorities the liabilities arising out of a complete scheme for the treatment of all tuberculous persons, whether insured or not, but the half share will be arrived at after various receipts in aid have been credited against expenditure. These receipts will comprise, beyond the contribution from the Insurance Fund, any amounts which may be received in respect of "private" patients, either themselves or through relatives or other parties, to pay wholly or in part for their own maintenance, and possibly sums receivable in respect of persons chargeable to the poor rate, who may be treated by the sanatorium authority. It is not clear whether the poor rate is to bear the charge for such persons or whether the cost of sanatorium treatment in these cases is to be borne equally by the Government and the county councils; in other words, whether the offer of the Government made in the communication to Mr. Hobhouse applies to poor law cases. Certainly the letter does not in terms exclude them.

As regards capital outlay, the sum of £1,500,000 has been made available by the Finance Act, 1911, for distribution under the National Insurance Act, for the purpose of aiding the provision of sanatoria and other institutions. This sum is apportioned between England, Wales, Scotland and Ireland in proportion to the respective populations as shown by the census of 1911. The sum appor-

tioned to England is to be distributed by the Local Government Board, who have announced that as regards its distribution they propose to adopt the financial recommendations of the Departmental Committee on Tuberculosis. I am not in a position to say whether the sum of £1,500,000 will be sufficient to carry out the suggestions of the Departmental Committee, but it may, I think, be assumed that, subject to certain limitations, the Board will provide $\frac{3}{5}$ ths (generally at a rate not exceeding £90 a bed, i.e., $\frac{3}{5}$ ths of £150 a bed) of the outlay on sanatoria and $\frac{4}{5}$ ths of the outlay on dispensaries (not exceeding 16s. per 750 of population, or an average of £192 a dispensary). Nothing has been stated as to the proportion which would be provided of capital outlay (if any) upon hospitals, which from their nature must obviously cost more per bed than sanatoria.

Summarising the financial arrangements described above, together with the provisions of the National Insurance Act, it would appear that the cost of the treatment of tuberculosis, if a scheme is undertaken by the Council, would be divided as follows between the Exchequer and local rates:—

CAPITAL ACCOUNT.					National Exchequer.		Local rates.
Sanatoria ..	..	..	..	..	3/5ths	..	2/5ths
Dispensaries ..	..	..	..	..	4/5ths	..	1/5th.
MAINTENANCE ACCOUNT.							
<i>Insured persons.</i>							
Deficiency (if any) after crediting Insurance fund moneys					1/2	..	1/2
<i>Dependants.</i>							
Deficiency after crediting any sum available from the Insurance fund..					1/2	..	1/2
<i>Other cases</i> (excluding paupers) ..					1/2	..	1/2
<i>Pauper cases</i>					Proportion not ascertainable	..	Proportion not ascertainable (see above).

A further circular, dated 25th February, 1913, has been received from the Local Government Board intimating, with regard to the capital grant, that "other circumstances, besides the mere number of the population, such for example as the incidence of tuberculosis, density of population and housing conditions, will have to be taken into consideration in distributing the grant, and that as the capital grant is a fixed sum the Board may not be able in the case of late applications to make grants of such an amount as the circumstances of the area would otherwise justify." From this it appears that though the total grant may be estimated to meet the proportions of cost stated above, these proportions may not hold good in the grants to individual authorities.

Action by the Council.

The Local Government Board has made a nominal grant of £10 to the Council, and has authorised the Council, under section 64 of the National Insurance Act, 1911, to provide sanatoria and other institutions for the treatment of persons suffering from tuberculosis. The Council's powers are not limited to the provision of such treatment for insured persons only, but extend to persons generally who are in need of such treatment.

The Council has up to the present not committed itself to more than the provision of sanatorium accommodation for a certain number of insured persons and has undertaken this liability on the understanding that the Insurance Committee will pay the full cost of all the insured persons so treated. How far the funds at the disposal of the Insurance Committee will enable them to defray the cost of all the insured persons requiring sanatorium treatment has not yet become evident.

The Council has, however, given instructions for a scheme for the general treatment of tuberculosis to be prepared and the matter is now under consideration by the Public Health Committee.

Present obligations of the ratepayers.

Reference has been made to the treatment of tuberculosis as being at present an obligation on the ratepayers, and it is desirable to see how far this is the case.

The obligations of the ratepayer with regard to tuberculosis are such as arise in connection with (1) poverty or (2) infectious diseases.

Boards of Guardians have their obligations with regard to the destitute. It is also their duty to provide medical relief for persons who are necessitous, and as destitution is frequently associated with tuberculosis a large number of cases are to be found in their infirmaries and sanatoria. Considerable provision for London children chargeable to the guardians of the poor suffering from various forms of tuberculous diseases has been made in recent years by the Metropolitan Asylums Board.

The obligations of sanitary authorities, including the Metropolitan Asylums Board, with regard to infectious diseases are varied and are mainly provided for in the Public Health Acts. It is only in an indirect manner that tuberculosis is included with infectious diseases. Under section

130 of the Public Health Act, 1875, which is applied to London by the Public Health (London) Act, 1891, the Local Government Board may from time to time make, alter, and revoke such regulations as the said Board may see fit, with a view to the treatment of persons affected with cholera, or any other epidemic, endemic, or infectious disease, and may declare by what authority or authorities such regulations shall be enforced and executed.

Acting on the powers of dealing with infectious disease conferred on them by the above section of the Public Health Act, 1875, the Local Government Board have issued the following orders dealing with tuberculosis :—

(1) *The Tuberculosis Order of 1908*, which came into force on the 1st January, 1909, provided for the compulsory notification to the medical officers of health of sanitary authorities of cases of pulmonary tuberculosis occurring amongst the inmates of poor law institutions or amongst persons under the care of district medical officers.

(2) *The Tuberculosis Order of March, 1911*, extended the cases requiring notification to those occurring among in-patients and out-patients of hospitals other than those maintained by the contributions of patients.

(3) *The Tuberculosis Order of November, 1911*, made it the duty of every medical practitioner (with certain exceptions) to notify every case of pulmonary tuberculosis occurring in the course either of his public or private practice.

(4) *The Tuberculosis Order of December, 1912*, which came into operation on the 1st February, 1913, requires the notification of all kinds of tuberculosis. The Order consolidates previous Orders and makes some slight amendments in the method of paying fees.

There is, however, no obligation on a local authority to secure the segregation of persons suffering from tuberculosis, as is the case in regard to other infectious diseases, and although some saving may be expected in expenditure on poor-relief, as the result of the institution of a scheme for the general treatment of tuberculosis, inasmuch as persons suffering from tuberculosis may be saved from pauperism by timely treatment, the greater part of any expenditure undertaken in this direction will be in addition to, and not in substitution for, the expenditure at present incurred by local authorities.

(4) TUBERCULOSIS (ANIMALS) ORDER, 1913.

This Order, which was issued by the Board of Agriculture and Fisheries, under the Diseases of Animals Act, 1894, and came into force on 1st May last, confers on the Council new powers of dealing with cattle suffering from tuberculosis. It empowers and requires the Council, and (in the City) the City Corporation, to direct the slaughter of cows giving tuberculous milk or suffering with tuberculosis, or of bulls, oxen, heifers, or calves suffering from tuberculosis with emaciation. Compensation has to be paid by the local authority to the owners of slaughtered animals on the following scale :—

Compensation.

If the local authority fail to make a post mortem examination of the slaughtered animal or if such examination does not reveal tuberculosis.	Value of the animal and a further sum of twenty shillings.
If the post mortem examination reveals slight tuberculosis	Three-quarters value of animal, less one-half the local authority's expenses through special examination. (Not by the veterinary inspector.)
If the post mortem examination reveals advanced tuberculosis.	One-quarter value or thirty shillings (whichever sum is the greater) less one-half expenses as in preceding case.

It was stated in the covering letter from the Board of Agriculture and in the memorandum attached to the Milk and Dairies Bill, that the Treasury has sanctioned the refunding to the local authorities of one-half of the net amount paid for compensation for a period of five years. The Board states that while it is inevitable that at first the expenditure will be comparatively heavy, the cost after the initial period should not be great, because only those animals will then fall to be dealt with which develop disease from an outwardly healthy condition, and, therefore, such cost may properly be defrayed in full by local authorities in the manner provided for in the Diseases of Animals Acts. Section 40 of the Diseases of Animals Act, 1894, provides that the expenses of a local authority under the Act shall be defrayed out of the local rate; those of the county council out of the general county rate. In another paragraph of its letter, the Board (speaking of compensation for slaughtered animals), makes the following significant remarks :—

“ . . . the liability of the Treasury and the local authority to provide such compensation on the present basis from public funds is a serious one, and cannot be continued unless events show that a return commensurate with the burden imposed is being obtained. It behoves agriculturists, therefore . . . to prevent tuberculosis being spread within the herd . . . ”

This paragraph conflicts somewhat with the previous statement that after the expiration of five years, the total cost may properly be defrayed in full by local authorities.

It would have been more satisfactory to local authorities if the order had been limited to that period during which the Government have undertaken to bear one-half the cost of compensation.

(5) MENTAL DEFICIENCY BILL.

Reference should be made to this Bill, which, if passed into law, will add considerably to the financial obligations of local authorities.

The principal duties it is proposed to impose on local authorities under the Mental Deficiency Bill are as follows—

(a) To ascertain what persons within their areas are defectives and are subject to be dealt with under the Act. Mentally defective persons for whom the Bill provides are defined as—(i.) idiots ; (ii.) imbeciles ; (iii.) feeble-minded persons and (iv.) moral imbeciles.

(b) To keep such persons under supervision and, where necessary or expedient, to take steps for securing that they shall be dealt with by being sent to institutions, or placed under guardianship.

(c) To provide suitable and sufficient accommodation for persons sent to institutions under this Act.

It will be seen that these duties would involve very considerable expenditure on the part of local authorities. A grant from the Exchequer, limited to a total of £150,000 per annum, is provided for, and there is a proviso that nothing in the Act shall be construed as imposing any obligation on a local authority to provide accommodation for, or place under guardianship, any person in respect of whom the contribution out of moneys provided by Parliament under the Act, towards the cost of his maintenance is less than one-half of the cost of maintenance, including capital charges.

This proviso is considered insufficient to protect the interests of local authorities, as they would find a difficulty in withholding institutional treatment, where such treatment was necessary, merely on the ground that the Government contribution was not forthcoming. In fact, from statements made by the Home Secretary in the course of discussions on the similar Bill introduced last year it is assumed by the Government that local authorities will deal voluntarily with a large number of persons in excess of those in respect of which the Government will make a contribution. The Council has, therefore, passed a resolution (Minutes, 6th, May, 1913, p. 1023) expressing its opinion that—

(i.) Provision should be made in the Bill for a contribution from the Imperial Exchequer sufficient to meet at least half the cost incurred by local authorities in respect of the maintenance of mentally defective persons and of the provision of accommodation, and of contributions towards the expenses of persons under guardianship ; (ii.) the cost of maintenance of defectives which is to be defrayed by the local authority, subject to contribution out of money provided by Parliament, should include all the expenses incurred by the local authority under the Act ; (iii.) that the State should contribute the whole cost of maintenance of mental defectives who are dealt with under an order of a court or of the Secretary of State, and for whom the local authority is called on to provide accommodation.

Since the above resolution was passed the basis of the Government grant has been extended so as to include, in addition to the cost of maintenance of defectives in institutions and under guardianship, the cost of the supervision of defectives and the remuneration of certain officers. To some extent, therefore, the Council's objections have been met.

(6) ELEMENTARY EDUCATION (DEFECTIVE AND EPILEPTIC CHILDREN) BILL.

The object of this Bill is to make the powers of the Elementary Education (Defective and Epileptic Children) Act, 1899, compulsory, so far as they relate to mentally defective children who are educable ; that is, it would make it a duty of local education authorities to make provision for the education in special schools of such children above the age of seven years.

The Council has put the Act of 1899 into operation fully as regards mentally defective children capable of being dealt with in day schools, and so far as such schools are concerned no additional expense will be involved by making the Act compulsory. It would appear, however, that some additional expense may be involved in respect of educable children needing residential treatment. The Council does not maintain any residential school for the mentally defective, but they maintain a Home for elder boys, who attend one of the day schools.

The Government grant at present paid in respect of day schools for mentally defective children is from £4 to £4 10s. a year per unit of average attendance, but the net cost in London is about £17 per pupil (after allowing for receipts other than grants), and the Council has resolved (6th May, 1913, p. 1025) to seek an amendment to the effect that the grant should be equivalent to not less than one-half of the cost incurred.

Since the date of the Council's resolution it has been announced by the President of the Board of Education that the grant will be increased to £6 a head for children in day schools. This grant, however, is very little more than one-third of the expenditure per head in London.

It is also understood that a further increase may be made in the amount of grant given in respect of educable children for whom residential accommodation is necessary, though from previous statements made by the President of the Board of Education, there is some doubt as to whether the grant for

residential treatment will be given to urban areas. The grant, if received, will be £12 per head, but even this increased grant is less than one-fifth of the cost of maintaining and educating defective children resident in the Home maintained by the Council.

The Bill does not make any provision for increasing the grant in respect of the education of sane epileptic children. The grant at present made for special schools for such children is from £1 to £4 10s. a child per annum, and in view of the inadequacy of this grant the Council has not hitherto seen its way to make special provision for such children.

VI.—ALLEGED SPECIAL ADVANTAGES ENJOYED BY LONDON.

Against the claim of London for largely increased Imperial Subventions in aid of the cost of the national services administered locally, it may be urged in some quarters that London enjoys certain peculiar advantages as compared with other towns in the country. These advantages are alleged to lie in its wealth and its position as the centre of government and Capital of the Empire. It is advisable to examine briefly this contention.

(1) HIGH RATEABLE VALUE.

For the purpose in hand London must be regarded as the body of London ratepayers, and as evidence of their "wealth," or ability to bear taxation, the rateable value of the County is taken. The rateable value of London, although very large (£45,030,100 on 6th April, 1913) and representing 21 per cent. of the total for England and Wales, is not increasing at the same rate as formerly: indeed, the last quinquennial re-valuation (April, 1911) showed that there was a diminution of value.

While rateable value may be a rough test of ability to pay, it cannot be regarded as a complete criterion, for the reasons set out fully in my memorandum, dated 20th June, 1911, submitted to the Departmental Committee on Imperial and Local Taxation. Particularly is this so when rateable value is used comparatively in order to show the relative "wealth" of London and the rest of the country, because of the admittedly higher standard of valuation obtaining in London, in consequence partly of the quinquennial system of re-valuation. Moreover, as already pointed out earlier in this report, high rateable value almost necessarily involves a high scale of expenditure in administering a service, owing to the expensiveness of sites and the higher scales of salaries and wages. It is notorious that the cost of building in the London district is much enhanced by the special labour conditions prevailing therein. The theory that rateable value should be taken into account in assessing grants, for the purpose of reducing or increasing the amount to which a local authority would otherwise be entitled upon a defined basis, has already been dealt with (see pp. 30-31).

The figures given earlier in this report show, moreover, that even after taking London's high rateable value into account London is inequitably treated as compared with the rest of the country, the rate-burden (i.e., the expenditure falling on rates per £ of rateable value) for national services being heavier in London than in the country generally (see p. 31).

(2) POSITION AS THE CAPITAL.

It cannot be doubted that London possesses advantages of a general kind by being the Capital and seat of government, but the position carries with it certain obligations tending to increase the cost of municipal services. This is notably the case in the cost of the police; moreover, expenditure on improvements and certain other services may at times not be altogether governed by the requirements of strict utility, inasmuch as the desire to make the objects of such expenditure worthy of the Capital of the Empire may have an influence in increasing the cost beyond what mere utility demands. London undoubtedly benefits, as compared with other towns, by the expenditure of the State upon the National Museums and art galleries (about £300,000 a year) and the Royal parks (about £100,000 a year). It does not follow, of course, that these charges, if not borne by the Exchequer, would have fallen on the rates; the museums, in particular, are national institutions in the strict sense of the phrase, and would never have been established on such a scale if they had been merely municipal institutions. Moreover, the cost of such amenities has been largely met in certain provincial towns by private benefactions.

The matter of Government property and the basis on which it is assessed to local rates is a matter of much importance to London. The Council, in common with other local authorities, has contended that Government property is under-assessed. Formerly such property was not included in the valuation lists, but the Treasury paid certain contributions in lieu of local rates. For many years, however, Government property has been inserted in the lists, but only at such values as the Treasury surveyor approves; there is no appeal from his decisions. The rateable value of Government property in London amounts to £796,710 (6th April, 1911), or 44 per cent. of the total of such property in England and Wales.

It does not appear from the foregoing that London possesses any special advantages which can properly be set against its claim for equitable treatment on uniform lines with other great towns in the matter of grants towards the cost of national services administered by it.

VII.—SUMMARY OF LONDON'S FINANCIAL GRIEVANCES AGAINST THE EXCHEQUER.

London's grievances against the Exchequer may be classified in two divisions—(1) those which London has in common with other local authorities, and (2) those which are special to London.

Grievances shared with other authorities.

Those in the first division may be briefly summarised as follows—

(i.) The Imperial subventions towards the cost of national services locally administered are inadequate and do not keep pace with the growing necessary expenditure on those services.

(ii.) New services and new developments of existing services of a national character are laid upon local authorities from time to time by Parliament and the requirements of Government departments, without any commensurate grant and sometimes without any grant at all from the Imperial Exchequer, the services particularly affected being Education and Police.

(iii.) The revenues assigned to local taxation under the system established by the Act of 1888 no longer give that relief to local taxation which that scheme was intended to afford; and while this is partly due to the growth which has taken place in local expenditure on the services aided, it is also partly due to additional charges placed on the local taxation account, (a) under the Diseases of Animals Acts (Swine Fever), and (b) under the Tithe Rent-charge (Rates) Act, 1899; partly to the effect which the Finance (1909–10) Act, 1910, has had on the account, (a) by stereotyping the yield of duties on motor cars at the yield for 1908–9, and thus depriving the local taxation account of the expanding revenue from these duties, and (b) by appropriating to the Imperial Exchequer the receipts from monopoly value of licences, previously given to local authorities under the Licensing Act, 1904, and regarded by them as some compensation for loss of income from licences extinguished under that Act; and partly to the grant which accompanied the transfer to the local authorities of the collection of duties on local taxation licences being altogether insufficient to meet the cost.

(iv.) The increase of the liquor licence duties under the Finance (1909–10) Act, 1910, by reducing the rateable value of licensed premises, has diverted revenue from local to Imperial funds.

(v.) The allocation of a moiety of the proceeds of the duties on land values to local funds has been suspended until 31st March, 1914.

(vi.) The need for a review of the relations between the Imperial Exchequer and local taxation has been generally admitted to be urgent ever since the Royal Commission reported in 1901 in favour of largely increased Government subventions; and the need is greater than it then was.

London's special grievances.

London's special grievances, stated briefly, are—

(i.) The proportion of the existing assigned revenues allocated to London is unfair because the "discontinued grants" on which the allocation was based did not include for London any allowance in respect of medical officers of health, sanitary inspectors and City police, and only a very small allowance in respect of main roads. It is calculated that an adjustment to allow for these would have given London 28 per cent. instead of 22 per cent. as its proportion of the amount allocated to England and Wales of those revenues which are distributed on the "discontinued grants" basis. The basis adopted was admitted at the time to be prejudicial to London.

(ii.) With regard to the local taxation licences, which were allocated according to area of collection, the upward limitation of the scale of duties on licensed premises told against London, and now that this limitation has been removed by the Finance (1909–10) Act, 1910, the additional proceeds go to the Imperial Exchequer, London's receipt being stereotyped at the actual amount received in the year 1908–9.

(iii.) Under the Tithe Rent-charge (Rates) Act, 1899, London loses its 22 per cent. share of the amount diverted from the local taxation account, representing over £30,000 a year, and receives in the form of relief of rates some £500 a year only.

(iv.) London is required to pay all the expenses which it incurs in respect of glanders, which occurs chiefly in urban areas, but in respect of swine fever, which is confined almost entirely to rural areas, London has to pay a proportion of the cost for the whole country, the cost of swine fever falling on general taxation and the local taxation account.

(v.) The result of London's low proportion of assigned revenues is that the revenues from the licence duties and the estate duty grant, after allowing for the grant to the Metropolitan Police, have always been insufficient to meet in full the grants to guardians, and the largest grant (*i.e.*, for indoor paupers) is paid out of the general county account. Moreover, London's share of the assigned revenues is now insufficient to meet even the statutory grants chargeable thereon, with the result that such grants have had to be reduced, and the burden on the ratepayers correspondingly increased.

(vi.) The Imperial subventions received by London bear a much smaller proportion of the cost of the services regarded by the Royal Commission on Local Taxation as national in character than is the case in the Provinces, *viz.*, 24 per cent. as against 40 per cent., and even taking into account London's high rateable value the rate burden on London in respect of such services is much heavier than in the case of the rest of England and Wales (*viz.*, 3s. 10d. as against 2s. 8½d. in the £).

(vii.) In the distribution of grants from the Road Improvement Fund sufficient regard has not been paid to the special needs of London or to the large proportion of the motor car licence duties and the petrol duty contributed by London.

(viii.) The ratepayers of London and the other districts within the Metropolitan Police area have to bear the whole of the recent large increases of expenditure on the Metropolitan Police, in addition to the original rate of 5d. in the £, although they have no control whatever over such expenditure, the administration being entirely in the hands of the Home Office.

GRIEVANCES EXPRESSED IN FIGURES.

The following is an attempt to express approximately in figures the effect upon London finance of the most important of the various considerations which have been dealt with in this report, in so far as they concern the more pressing items of London's claim for relief. It is not exhaustive, but gives an idea of the seriousness of the matter. Figures relating to the county rate only are indicated by the letter (c) and those which affect the rates other than the county rate, *e.g.*, the general rate levied by the metropolitan borough councils, by the letter (g).

(i.) *Loss suffered by London in consequence of defects in the original scheme of assigned revenues.*

(a) <i>Discontinued grants basis.</i> —On the best estimate available London should have received 28 per cent. instead of 22 per cent. of the revenues apportioned on the basis of discontinued grants. This would have increased London's revenue, on the average, by about		£200,000(c)
(b) <i>Liquor licence duties.</i> —The proportion of duties on retail liquor licences raised in London since the new scale of duties came into force is 22 per cent. of the total, instead of 13 per cent. as in 1908–9. If London received 22 per cent of the fixed grant based upon the amount raised in 1908–9 it would receive an additional annual income of about		£140,000(c)
Total		£340,000

(ii.) *Loss suffered through diversion of assigned revenues.*

(a) <i>Diseases of Animals Acts.</i> —The amount deducted under these Acts from London's share of the estate duty grant has varied from <i>nil</i> up to £31,000, the amount for 1911–12 being		£14,492(c)
(b) <i>Tithe Rentcharge (Rates) Act, 1899.</i> —The amount deducted, under this Act, from London's share of the estate duty grant has steadily increased from £23,207 in 1900–1 to £33,002 in 1911–12		£33,002(c)
(c) <i>Monopoly value duties.</i> —The transfer of the revenue from monopoly values of new licences from local funds to the Exchequer involves a loss varying with the number and value of new licences granted. The amount for London in 1909–10 (the latest for which figures are available) was		£7,208(c)
Total		£54,702

(iii.) *Loss suffered through increase in liquor licence duties.*

The loss of rates directly due to the increase in the duties on licensed premises is estimated at £129,000 and the loss of water rate at £17,000, per annum		£146,000(cg)
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(iv.) *Inadequacy of education grants.*

London suffers from the fact that the education grants for the most part take no account either of different standards of efficiency or of the necessarily higher cost of the service in London and other large urban areas. Moreover, the aid grant, which does vary in different areas is differentiated against London and other urban areas by taking into account their higher rateable value. If London shared in the aid grant at the average rate per child for the whole country it would receive an additional sum of about £59,000 a year; but this would take no account of the higher cost of the service in London. It is impracticable to give figures to show what London may be considered fairly entitled to, on the basis of existing grants, if proper regard were had to the peculiar conditions of the service in London.

It is also difficult to give a money value to the claims of London, urged in common with other local education authorities, for more liberal assistance from the Government towards the cost of the eminently national service of education; but it is considered that a case is made out for a large increase.

(v.) *Inadequacy of grants from the Road Improvement Fund.*

It is claimed that London is entitled to grants amounting to not less than £150,000 a year, whereas the total amount of grants allocated to London authorities up to 31st March, 1913, was only £23,234.

(vi.) *Cost of new national services and new developments of old services.*

Since the passing of the Local Government Act, 1888, new duties of a national character have been laid upon local authorities and new developments have taken place with regard to the administration of existing services. The most important, so far as financial effect is concerned, are as follows—

(a) *Education*.—The principal new duties imposed on the Council in connection with education are referred to on pp. 25-6. In a return presented to the Council in February last the extra expenditure thrown on the Council in 1912-13 by Acts and Orders between 1888 and 1911 (the great bulk since 1902), after deducting receipts and grants applicable thereto, including the whole of the new aid grant under the Act of 1902, was estimated at £956,000(c)

(b) *Police*.—The increase in the Pension Fund deficiency, together with the increase in the force necessitated by the granting of a weekly rest-day (estimated to cost £177,000 a year) and the increase in pay (estimated to cost £90,000 a year), have, in spite of the additional grant of £75,500 under the Police Act, 1909 necessitated an increase of 2d. in the £ in the police rate, which means an additional burden on London ratepayers of about £325,000(g)

(c) *Unemployed Workmen Act, 1905*.—The rates levied by the Central (Unemployed) Body for London have meant an additional annual charge on London ratepayers, on the average, of £45,000(g)

(d) *Finance Act 1908*—The cost of collecting local taxation licence duties, in excess of the Government grant, amounted, in 1911-12, to £10,452(c)

Total (say) £1,336,000

From this total should be deducted the estimated saving in expenditure on poor-relief due to the removal of the pauper disqualification for old age pensions 100,000(g)

Net total additional charge on rates.. .. . £1,236,000

(vii.) *Summary.*

The foregoing figures may be summarised as follows—

(A) Deficiencies of revenue—	£
(a) By reason of defects in basis of apportionment of assigned revenues..	340,000
(b) By diversions of assigned revenues to other purposes.. (say)	54,000
(c) Loss of rates due to increase in liquor licence duties	146,000
	£540,000

(B) New burdens on the rates in respect of new national services and developments of old services, imposed without adequate grants—	£
(a) Education	956,000
(b) Police	325,000
(c) Unemployed Workmen Act, 1905	45,000
(d) Collection of local taxation licence duties (say)	10,000
	£1,336,000

Less—Estimated saving in poor-relief due to old age pensions 100,000

£1,236,000

These figures must not be taken as an estimate of the amount of London's claim for increased Imperial subventions, but as a rough calculation of the deficiencies of revenue which have resulted from the present system and of the increased charges on the rates brought about in consequence of the legislation of recent years.

ADMISSION OF LONDON'S CLAIMS.

It may be pointed out here that ever since the establishment of the Assigned Revenues system in 1888 it has been recognised that London is unfairly treated under that system. It has been shown (page 10 *ante*), that when the Bill was before Parliament it was admitted by the then President of the Local Government Board that London would suffer by the substitution (on report) of the basis of "discontinued grants" for the original basis proposed for the apportionment of the Probate Duty grant.

Mr. Fowler, in dealing with the effect of the financial arrangements of the Local Government Act of 1888, in his report on "Local Taxation" issued in 1893, after showing that there had been a general fall in the rate in the £ of the poor rates, said—

"In London the rate in the £ of the rates, other than those raised to meet the expenses of the Poor Law authorities, so far from falling, rose from 3s. 1·5d. in the £ in 1889 to 3s. 7·1d. in 1890 and 3s. 8·9d. in 1891."

When the change was made in the death duties in 1894 the Council seized the opportunity of placing before the Government its claims for a revision of the basis on which the probate duty grant was distributed, and a deputation was received by the Chancellor of the Exchequer and the President of the Local Government Board. It was stated, however, that no alteration could be made without an inquiry by a Special Committee of Parliament. Representations were subsequently made on several occasions to the Government of the day and eventually a Royal Commission was appointed in 1896 "to inquire into the present system under which taxation is raised for local purposes, and report whether all kinds of real and personal property contribute equitably to such taxation; and, if not, what alterations in law are desirable in order to secure that result."

The Commission, which issued its final report in 1901, recommended largely increased grants for national services administered locally, and recognised London's claims. On the latest calculation which has been made (on the figures of 1906-7) it was estimated that if the recommendations of the Majority of the Commissioners were carried out, London would receive an additional sum of about £1,600,000 a year (excluding elementary education grants, which were not dealt with by the Commission), and its proportion of the grants for England and Wales would be about 22.5 per cent., instead of 14.5 per cent., as at present. If the recommendations of the Minority were carried out, it was estimated that London would receive an additional sum of about £1,000,000 a year.

Nothing, however, has been done to carry out the recommendations of the Commissioners, although in recent years frequent admissions have been made by the Government that local authorities have strong claims for a re-settlement of the relations between Imperial and local taxation.

The appointment and proceedings of the Departmental Committee on Local Taxation are dealt with in the next section.

VIII.—THE DEPARTMENTAL COMMITTEE ON LOCAL TAXATION.

In April, 1911, a Departmental Committee was appointed by the Chancellor of the Exchequer "to inquire into the changes which have taken place in the relations between Imperial and local taxation since the Report of the Royal Commission on Local Taxation in 1901, to examine the several proposals made in the Reports of that Commission, and to make recommendations on the subject for the consideration of His Majesty's Government, with a view to the introduction of legislation at an early date."

The Departmental Committee, by letter dated 6th May, 1911, requested to be supplied with copies of the report presented by the Finance Committee to the Council on the 28th June, 1910, dealing with the question of the financial relations between London and the Imperial Exchequer. Copies of this report were at once furnished to the Departmental Committee. Subsequently, a communication, dated 26th May, 1911, was received from the Departmental Committee asking "whether the London County Council have any suggestions to make, limited to the method of distributing Imperial aids to local authorities towards onerous or national services, and, if so, whether they will favour the Committee with a memorandum embodying such suggestions briefly by 30th June, 1911."

A memorandum was accordingly prepared, and, after being approved by this Committee and the General Purposes Committee and placed before the Council, was sent to the Departmental Committee on 14th July, 1911, as embodying the views of the Council upon the matter. The conclusions arrived at in the memorandum were endorsed by the Council by resolution (11th July, 1911, pp. 147-8), as follows:—

That the Council is of opinion—

(1) That the continuance of the system of assigned revenues in aid of national services is not desirable; that the scheme of assigned revenues proposed in the Majority Report of the Local Taxation Commission is no longer practicable; and that the system of block grants advocated by the Minority Reports is not satisfactory.

(2) That grants should be paid in respect of every service which is preponderantly national in character.

(3) That the grants in aid of national services should be made direct to the authorities controlling the administration of those services.

(4) That the principal grants for each national service should either (i.) be based upon normal units or scales of expenditure to be revised periodically, there being separate scales for urban and rural areas respectively; or (ii.) be a fixed proportion of the necessary expenditure upon the service or head of service; the latter method being adopted where the necessary check by the Government department can be simply and best exercised, and the former method where such check would involve undesirable interference with local administration.

(5) That, to meet exceptional cases of necessity, super-grants in aid of certain national services should be made on clearly defined principles to areas whose needs are great and whose rating resources are relatively low, after inquiry by the Government department concerned as to the circumstances of each such area.

(6) That grants should be subject to the service in question being efficiently administered, provided that a demand on the part of a Government department for a higher standard of efficiency beyond that previously accepted as meeting the requirements of the State shall be accompanied by an increased grant.

(7) That grants out of the road improvement fund should be made to large towns as well as to rural areas towards the improvement of the roads therein, some regard being paid to the user by motor vehicles of the roads of such towns and to the amount of revenue derived by the fund therefrom.

(8) That the duty of determining what are "national roads," both in urban and rural areas, should be discharged by the Road Board, who should administer a Government grant in aid of this service.

(9) That, apart from the necessity for Government grants in aid of national services performed by local authorities, it is desirable to broaden the basis on which taxation is levied to meet the cost of local services and the balance of cost of national services borne locally, and that this should be effected by all or some of the following methods—

(i.) The retention by the local authorities of the proceeds (and collection) of the local taxation licence duties at present collected by them, and the transfer to them of the collection and proceeds of all the other local taxation licence duties except the liquor licence duties.

(ii.) The allocation to the local authorities of the whole or part of the duties on land values.

(iii.) The transfer to the local authorities of the proceeds of the inhabited house duty.

(iv.) The grant of other sources of local revenue.

(10) That, subject to satisfactory arrangements being made under (9), the following claims be waived—

(i.) Any grant towards cost of collection of local taxation licence duties.

(ii.) Any claim to the produce of the increased duties on licensed premises.

(iii.) Any share of the mineral rights duty.

(iv.) Any claim in respect of loss of assessable value owing to increased duties levied for Imperial purposes on licensed premises.

(11) That before any public bill giving new powers or imposing new duties on local authorities is read a second time a report by the Local Government Board as to the general effect of the proposals of the bill upon local rates should be circulated with the bill.

A further memorandum, supplementing the first and giving later figures, was prepared subsequently and sent to the Departmental Committee on 9th March, 1912.

Oral evidence, based on these memoranda, was given on behalf of the Council by myself and the late Assistant Statistical Officer, on 14th, 15th and 28th March, 1912, and 30th April, 1912.

In June, 1912, the Departmental Committee issued a formal report, presenting the minutes of evidence taken on twenty-eight days (up to 1st May, 1912) and the memoranda presented to the Committee by this Council and by other bodies and persons, and these were published as Parliamentary papers [Cd. 6303-i. and ii., and 6304]. No further report has yet been issued.

In view of the fact that the Council's views as to the lines on which reform of the present system should proceed have been placed on record, as mentioned above, it has not been considered necessary, in this report, to make any definite suggestions in this direction, except in so far as such suggestions are involved in the criticism of the present system. The object of this report is to present a comprehensive statement of London's case for reform, with the latest figures available in regard to the various branches of the subject.

H. E. HAWARD,
Comptroller.

County Hall,
2nd July, 1913.

APPENDIX TO REPORT BY THE COMPTROLLER, DATED 2ND JULY, 1913.

Table A—Assigned Revenues—England and Wales.

Gross proceeds of Assigned Revenues in England and Wales, amounts deducted therefrom under the Tithe Rentcharge (Rates) Act, 1899, and the Diseases of Animals Acts, and the balance allocated to local authorities, for each year from 1889-90

Year.	Gross proceeds of assigned revenues.					Amounts deducted from Estate Duty Grant.			Amounts allocated to local authorities.
	Estate Duty Grant.	Local Taxation Licence Duties.	Beer and Spirit Surtaxes.	Grant for collection of transferred licence duties.	Total.	Under Tithe Rent charge (Rates) Act, 1899.	Under Diseases of Animals Acts.	Total.	
1	2	3	4	5	6	7	8	9	10
	£	£	£	£	£	£	£	£	£
1889-90 ...	1,811,521	2,994,420	—	—	4,805,941	—	—	—	4,805,941
1890-91 ...	1,930,935	3,037,305	1,040,376	—	6,008,616	—	—	—	6,008,616
1891-92 ...	2,248,949	3,064,328	1,115,801	—	6,429,078	—	—	—	6,429,078
1892-93 ...	1,918,424	3,104,518	1,085,905	—	6,108,847	—	—	—	6,108,847
1893-94 ...	1,890,447	3,163,362	1,086,769	—	6,140,578	—	—	—	6,140,578
1894-95 ...	1,712,034	3,178,448	1,055,278	—	5,945,760	—	79,200	79,200	5,866,560
1895-96 ...	1,958,966	3,237,727	1,113,180	—	6,309,873	—	145,200	145,200	6,164,673
1896-97 ...	1,843,116	3,288,535	1,145,260	—	6,276,911	—	105,600	105,600	6,171,311
1897-98 ...	2,077,437	3,342,686	1,174,889	—	6,595,012	—	57,200	57,200	6,537,812
1898-99 ...	2,123,483	3,439,838	1,208,670	—	6,771,991	—	61,600	61,600	6,710,391
1899-1900	2,389,119	3,475,734	1,328,001	—	7,192,854	47,836	33,440	81,276	7,111,578
1900-01 ...	2,182,481	3,515,736	1,268,718	—	6,966,935	105,687	22,000	127,687	6,839,248
1901-02 ...	2,201,001	3,597,654	1,196,300	—	6,994,955	110,452	11,440	121,892	6,873,063
1902-03 ...	2,152,739	3,630,466	1,221,606	—	7,004,811	119,291	—	119,291	6,885,520
1903-04 ...	2,224,316	3,651,631	1,192,499	—	7,068,446	128,153	14,080	142,233	6,926,213
1904-05 ...	2,190,815	3,693,156	1,141,203	—	7,025,174	135,679	10,560	146,239	6,878,935
1905-06 ...	2,293,820	3,727,678	1,121,189	—	7,142,687	139,382	6,160	145,542	6,997,145
1906-07 ...	2,550,113	3,775,518	1,135,251	—	7,460,882	136,827	12,760	149,587	7,311,295
1907-08 ...	2,397,285	3,769,104	1,133,372	—	7,299,761	134,108	29,480	163,588	7,136,173
1908-09 ...	2,354,842	3,736,718	1,107,260	40,000	7,238,820	138,230	20,240	158,470	7,080,350
1909-10 ...	2,486,805	3,827,691	1,107,260	40,000	7,461,756	144,039	19,008	163,047	7,298,709
1910-11 ...	2,358,799	3,759,257	1,107,260	40,000	7,265,316	147,662	32,120	179,782	7,085,534
1911-12 ...	2,435,750	3,769,165	1,107,260	40,000	7,352,175	150,293	66,000	216,293	7,135,882

(a) Including £262,827 paid in the year 1910-11 under the Revenue Act, 1911.

Table B—Assigned Revenues—Amounts allocated to London.

Amounts allocated to London in respect of the Assigned Revenues—showing also London's share of the gross proceeds of the Estate duty grant and of the amounts deducted therefrom under the Tithe Rentcharge (Rates) Act, 1899, and the Diseases of Animals Acts—for each year from 1889-90.

Year.	Amounts allocated to London in respect of assigned revenues.									
	Estate duty grant.				Licence duties.	Beer and spirit surtaxes.			Grant towards cost of collection of transferred licence duties.	Total.
	Share of gross proceeds.	Amounts deducted.		Net grant.		Police pension grant.	Share of residue.	Total.		
		Tithe Rent-charge (Rates) Acts.	Diseases of Animals Acts.							
1	2	3	4	5	6	7	8	9	10	11
	£	£	£	£	£	£	£	£	£	£
1889-90 ...	397,774	—	—	397,774	417,689	—	—	—	—	815,463
1890-91 ...	423,995	—	—	423,995	418,090	117,241	162,572	279,813	—	1,121,898
1891-92 ...	493,825	—	—	493,825	424,710	117,852	179,134	296,986	—	1,215,521
1892-93 ...	421,248	—	—	421,248	426,754	117,754	172,569	290,323	—	1,138,325
1893-94 ...	415,105	—	—	415,105	427,592	117,297	172,759	290,056	—	1,132,753
1894-95 ...	375,931	—	17,393	358,538	428,226	116,705	165,844	282,549	—	1,069,313
1895-96 ...	430,153	—	31,886	398,267	438,644	116,261	178,558	294,819	—	1,131,730
1896-97 ...	404,712	—	23,188	381,524	451,969	116,740	185,602	302,342	—	1,135,835
1897-98 ...	456,164	—	12,560	443,604	457,756	116,853	192,108	308,961	—	1,210,321
1898-99 ...	466,275	—	13,526	452,749	465,344	115,908	199,526	315,434	—	1,233,527
1899-1900	524,604	10,504	7,343	506,757	469,096	114,982	225,729	340,711	—	1,316,564
1900-01 ...	479,230	23,207	4,831	451,192	465,189	113,196	212,711	325,907	—	1,242,288
1901-02 ...	483,296	24,253	2,512	456,531	472,356	112,937	196,810	309,747	—	1,238,634
1902-03 ...	472,699	26,194	—	446,505	473,771	111,624	202,367	313,991	—	1,234,267
1903-04 ...	488,416	28,140	3,091	457,185	473,309	110,524	195,975	306,499	—	1,236,993
1904-05 ...	481,061	29,793	2,319	448,949	477,543	109,103	184,712	293,815	—	1,220,307
1905-06 ...	503,678	30,605	1,353	471,720	480,193	107,989	180,317	288,306	—	1,240,219
1906-07 ...	559,955	30,045	2,802	527,108	482,791	108,382	183,405	291,787	—	1,301,686
1907-08 ...	526,397	29,448	6,473	490,476	477,674	107,714	182,992	290,706	—	1,258,856
1908-09 ...	517,077	30,353	4,444	482,280	466,459	107,044	177,258	284,302	4,145	1,237,186
1909-10 ...	546,053	31,628	4,174	510,251	478,568	106,621	177,258 ^a	283,879	3,910	1,276,608 ^a
1910-11 ...	517,946	32,424	7,053	478,469	465,827	106,199	177,258 ^b	283,457	4,025	1,231,778 ^b
1911-12 ...	534,843	33,002	14,492	487,349	468,137	105,376	177,258	282,634	4,527	1,242,647

(a) Including) £57,712 received in 1910-11 in respect of 1909-10, under the Revenue Act, 1911.
 (b) Excluding)

Table C.—Assigned Revenues—Application

(1). Amounts allocated to London, charges thereon, and balance available

Year.	Amounts allocated to London in respect of assigned revenues (as per Table B).	Payments on behalf of London out of amounts allocated.				Payments by the Council out of						
		Out of estate duty grant and licence duties.		Out of beer and spirit surtaxes.	Total.	Grants to guardians.						
		To the Exchequer for cost of revising barristers and election petitions.	To Metropolitan Police (maintenance.)	To Metropolitan Police (pensions, proportion of £150,000).		Pauper lunatics.	Poor law medical expenses.	Teachers in poor law schools.	Registrars of births and deaths.	Union officers (Penge)	School fees for pauper children.	Total.
1	2	3	4	5	6	7	8	9	10	11	12	13
	£	£	£	£	£	£	£	£	£	£	£	£
1889-90	815,463	1,366	457,765	—	459,131	97,814	34,993	12,988	582	1,347	—	147,724
1890-91	1,121,898	1,363	465,449	117,241	584,053	100,451	35,045	13,048	582	1,355	4	150,485
1891-92	1,215,521	1,265	473,507	117,852	592,624	101,472	36,732	12,982	582	1,293	2	153,063
1892-93	1,138,325	1,263	481,999	117,754	601,016	105,095	37,984	13,352	582	1,269	—	158,282
1893-94	1,132,753	1,271	489,337	117,297	607,905	108,854	39,752	13,484	582	1,247	—	163,919
1894-95	1,069,313	1,275	490,776	116,705	608,756	115,050	40,325	13,324	582	1,222	—	170,503
1895-96	1,131,730	1,261	496,480	116,261	614,002	120,659	41,383	13,473	582	1,216	—	177,313
1896-97	1,135,835	1,261	512,158	116,740	630,159	128,896	42,978	14,110	582	1,191	—	187,757
1897-98	1,210,321	1,264	523,277	116,853	641,394	134,783	44,312	13,444	582	1,166	—	194,287
1898-99	1,233,527	1,419	527,600	115,908	644,927	139,253	44,928	13,652	582	1,137	—	199,552
1899-1900	1,316,564	1,253	535,842	114,982	652,077	144,818	46,164	14,297	568	1,123	—	206,970
1900-01	1,242,288	1,420	541,153	113,196	655,769	148,085	48,096	14,164	568	1,112	—	212,025
1901-02	1,238,634	1,308	565,284	112,937	679,529	153,315	50,949	14,307	567	—	—	219,138
1902-03	1,234,267	1,306	579,956	111,624	692,886	160,154	54,785	13,859	(a)621	—	—	229,419
1903-04	1,236,993	1,292	589,620	110,524	701,436	165,243	55,824	12,868	580	—	384	234,899
1904-05	1,220,307	1,288	591,867	109,103	702,258	171,181	55,507	13,661	580	—	343	241,272
1905-06	1,240,219	1,277	603,967	107,989	713,233	175,834	57,215	14,978	580	—	385	248,992
1906-07	1,301,686	1,331	622,539	108,382	732,252	179,985	57,760	14,978	581	—	644	253,948
1907-08	1,258,856	1,297	634,890	107,714	743,901	180,369	57,212	15,559	581	—	437	254,158
1908-09	1,237,186	1,295	641,955	107,044	750,294	185,466	58,735	15,234	581	—	—	260,016
1909-10	1,276,608	1,264	648,101	106,621	755,986	188,471	59,291	15,512	581	—	—	263,855
1910-11—												
Amounts paid	1,231,778	(g)	630,731	106,199	736,930	184,372	56,870	14,955	561	—	—	256,758
Amounts not paid (f) ...	...	...	21,824	—	21,824	6,380	(h)1,968	517	20	—	—	8,885
1911-12—												
Amounts paid	1,242,647	(g)	633,746	105,376	739,122	188,029	61,262	15,804	566	—	—	265,661
Amounts not paid (f) ...	...	...	16,136	—	16,136	4,788	(h)1,560	402	14	—	—	6,764

(a) Including £13 10s. per annum (£41 in all) for the three preceding years.

(b) In respect of local taxation licences and death duty grant, £604, and beer and spirit surtaxes, £265.

(c) In respect of local taxation licences and death duty grant, £3,624, and beer and spirit surtaxes, £1,590, including arrears for five years.

(d) Including £57,712 received in 1910-11 under the Revenue Act, 1911.

(e) Excluding the amount mentioned in note (d).

of amounts allocated to London.

for transfer to General County Account, for each year from 1889-90.

Exchequer Contribution Account.								Total payments.	Balance carried to General County Account.	Year.
Payments to public vaccinators.	Grants to Metropolitan Borough Councils towards salaries of sanitary officers.	Grants to City Corporation in respect of pauper lunatics.	Transfers to special county account in respect of pauper lunatics.	Amounts appropriated to higher education.	Payments in respect of adjustments under the London Government Act, 1899.	Expenses of collecting transferred licences (less costs recovered).	Total.			
14	15	16	17	18	19	20	21	22	23	24
£	£	£	£	£	£	£	£	£	£	
1,677	131	433	2,821	—	—	—	152,786	611,917	203,546	1889-90.
1,332	878	410	5,458	—	—	—	158,563	742,616	379,282	1890-91.
2,839	1,172	380	5,588	—	—	—	163,042	755,666	459,855	1891-92.
1,365	2,124	430	5,697	30,000	—	—	197,898	798,914	339,411	1892-93.
1,691	7,436	412	5,563	57,000	—	—	236,021	843,926	288,827	1893-94.
2,100	11,206	380	5,907	57,000	—	—	247,096	855,852	213,461	1894-95.
1,414	14,406	445	5,663	57,000	—	—	256,241	870,243	261,487	1895-96.
1,776	17,310	388	5,748	120,000	—	—	332,979	963,138	172,697	1896-97.
2,114	20,123	439	5,544	150,000	—	—	372,507	1,013,901	196,420	1897-98.
808	21,589	458	5,512	170,000	—	—	397,919	1,042,846	190,681	1898-99.
2,034	23,622	378	5,491	170,000	—	—	408,495	1,060,572	255,992	1899-1900.
1,079	25,091	467	5,482	180,000	—	—	424,144	1,079,913	162,375	1900-01.
229	25,996	373	5,860	180,000	—	—	431,596	1,111,125	127,509	1901-02.
3,386	29,752	463	5,990	180,000	—	—	449,010	1,141,896	92,371	1902-03.
1,859	31,995	379	6,076	195,975	—	—	471,183	1,172,619	64,374	1903-04.
1,756	32,659	986	6,215	184,712	—	—	467,600	1,169,858	50,449	1904-05.
2,483	34,440	866	6,555	180,317	—	—	473,653	1,186,886	53,333	1905-06.
2,004	35,944	812	6,471	183,140	(b) 869	—	483,188	1,215,440	86,246	1906-07.
407	36,044	829	6,445	181,402	(c) 5,214	—	484,499	1,228,400	30,456	1907-08.
799	36,183	713	6,262	176,993	(b) 869	3,657	485,492	1,235,786	1,400	1908-09.
3,669	(j) 36,531	973	6,114	(d) 176,993	(b) 869	11,306	500,310	1,256,296	20,312	1909-10.
3,212	35,291	992	5,892	(e) 176,993	(b) 869	14,841	494,848	1,231,778	—	1910-11—
(i) 111	1,221	34	204	—	—	—	10,455	32,279	—	Amounts paid. Amounts not paid.
1,643	36,443	1,202	5,735	176,993	(b) 869	14,979	503,525	1,242,647	—	1911-12—
(i) 42	928	30	146	—	—	—	7,910	24,946	—	Amounts paid. Amounts not paid.

(f) In 1910-11 and 1911-12 the amounts received from the death duty grant and licence duties were insufficient to meet in full the statutory charges thereon; those charges were therefore reduced proportionately.

(g) The charges under this head (viz., £1,262 for 1910-11 and £1,232 for 1911-12) were paid out of the General County Account.

(h) The deficiencies under this head were paid out of the General County Account.

(i) The deficiencies under this head were met by special grants from H.M. Exchequer.

(j) Including £111 towards salaries of health visitors.

Table C.—Assigned Revenues.—Application of amounts allocated to London—(continued.)

- (2) Sums transferred from the Exchequer Contribution Account to the general county account, and certain necessary deductions therefrom, viz.: (i) amount of grants which the assigned revenues were insufficient to meet, and which therefore had to be met out of rates, (ii) the Indoor Pauper Grant, and (iii) the expenditure on services formerly met by the "Discontinued Grants"; and the balance (if any) available for general purposes.

Year.	Sums transferred to General County Account (brought forward). 2	Abatements of grants chargeable on Exchequer Contribution Account—met out of rates. 3	Cost of the Indoor Pauper Grant and expenditure on services formerly met by the “Discontinued Grants.”			Total of cols. 3-6. 7	Balance (+ or —) available for general purposes. 8
			Indoor pauper grant (a). 4	Expenditure on criminal prosecutions. 5	Old Government grant for main roads (b). 6		
1	£	£	£	£	£	£	£
1889-90 ...	203,546	—	326,809	19,849	3,559	350,217	— 146,671
1890-91 ...	379,282	—	326,809	19,509	3,559	349,877	+ 29,405
1891-92 ...	459,855	—	327,704	22,307	3,559	353,570	+ 106,285
1892-93 ...	339,411	—	326,809	20,531	3,559	350,899	— 11,488
1893-94 ...	288,827	—	326,809	19,124	3,559	349,492	— 60,665
1894-95 ...	213,461	—	326,809	18,504	3,559	348,872	— 135,411
1895-96 ...	261,487	—	327,704	20,454	3,559	351,717	— 90,230
1896-97 ...	172,697	—	326,809	17,263	3,559	347,631	— 174,934
1897-98 ...	196,420	—	326,809	17,893	3,559	348,261	— 151,841
1898-99 ...	190,681	—	326,809	20,227	3,559	350,595	— 159,914
1899-1900...	255,992	—	326,809	17,528	3,559	347,896	— 91,904
1900-01 ...	162,375	—	326,809	19,298	3,559	349,666	— 187,291
1901-02 ...	127,509	—	327,131	20,248	3,559	350,938	— 223,429
1902-03 ...	92,371	—	327,131	28,082	3,559	358,772	— 266,401
1903-04 ...	64,374	—	328,027	19,083	3,559	350,669	— 286,295
1904-05 ...	50,449	—	327,131	19,690	3,559	350,380	— 299,931
1905-06 ...	53,333	—	327,131	20,514	3,559	351,204	— 297,871
1906-07 ...	86,246	—	327,131	22,028	3,559	352,718	— 266,472
1907-08 ...	30,456	—	328,027	23,875	3,559	355,461	— 325,005
1908-09 ...	1,400	—	327,131	23,121	3,559	353,811	— 352,411
1909-10 ...	20,312	—	327,131	23,029	3,559	353,719	— 333,407
1910-11 ...	—	32,168	327,131	23,161	3,559	386,019	— 386,019
1911-12 ...	—	24,004	328,027	25,955	3,559	381,545	— 381,545

(a) The figures in this column represent the expenditure in respect of each year, which differs in some years from the payments made in the year.

(b) In London no distinction is made between main roads and other roads. The figures inserted are the amount of the Government grant in the year 1888-9 for one-half of the expenditure on certain roads distumpiked since 1870.

Table D—Poor Relief.

Net expenditure by London Authorities on Relief of the Poor, with the amounts borne (1) by grants out of Assigned Revenues and (2) by Rates and the Agricultural Rates Grant, for each year from 1889-90.

Year.	Net expenditure on poor relief.	Borne by assigned revenues.				Borne by rates and agricultural rates grant. (a)	
		Grants out of Exchequer Contribution Account.	Indoor pauper grant (portion borne by surplus from Exchequer Contribution Account)	Total.	Proportion of net expenditure.	Amount.	Proportion of net expenditure.
1	2	3	4	5	6	7	8
	£	£	£	£	Per cent.	£	Per cent.
1889-90 ...	2,067,877	147,142	203,546	350,688	17·0	1,717,189	83·0
1890-91 ...	2,179,889	149,903	326,809 (b)	476,712	21·9	1,703,177	78·1
1891-92 ...	2,194,928	152,481	327,704 (b)	480,185	21·9	1,714,743	78·1
1892-93 ...	2,285,382	157,700	326,809 (b)	484,509	21·2	1,800,873	78·8
1893-94 ...	2,463,219	163,337	288,827	452,164	18·4	2,011,055	81·6
1894-95 ...	2,559,578	169,921	213,461	383,382	15·0	2,176,196	85·0
1895-96 ...	2,607,172	176,731	261,487	438,218	16·8	2,168,954	83·2
1896-97 ...	2,621,416	187,175	172,697	359,872	13·4	2,321,544	86·6
1897-98 ...	2,753,203	193,705	196,420	390,125	14·2	2,363,078	85·8
1898-99 ...	2,946,589	198,970	190,681	389,651	13·2	2,556,938	86·8
1899-1900 ...	3,057,921	206,402	255,992	462,394	15·1	2,595,527	84·9
1900-01 ...	3,067,093	211,457	162,375	373,832	12·2	2,693,261	87·8
1901-02 ...	3,313,561	218,571	127,509	346,080	10·4	2,977,481	89·6
1902-03 ...	3,493,142	228,798	92,371	321,169	9·2	3,171,973	90·8
1903-04 ...	3,587,846	234,319	64,374	298,693	8·3	3,289,153	91·7
1904-05 ...	3,699,033	240,692	50,449	291,141	7·9	3,407,892	92·1
1905-06 ...	3,745,025	248,412	53,333	301,745	8·1	3,443,280	91·9
1906-07 ...	3,768,593	253,367	86,246	339,613	9·0	3,428,980	91·0
1907-08 ...	3,647,625	253,577	30,456	284,033	7·8	3,363,592	92·2
1908-09 ...	3,721,920	259,435	1,400	260,835	7·0	3,461,085	93·0
1909-10 ...	3,647,388	263,274	20,312	283,586	7·8	3,363,802	92·2
1910-11 ...	3,717,632	256,197	—	256,197	6·9	3,461,435	93·1

(a) The amount of the agricultural rates grant to London Guardians is £1,210 per annum, and the amount attributable to expenditure on poor relief is a varying portion of this sum.

(b) In these three years the surplus was more than sufficient to pay the whole of the indoor pauper grant (see table C_A(2)).

Table E.—Lunatic Asylums.

Expenditure by the London County Council and the Common Council of the City of London on the provision of lunatic asylum accommodation for each year from 1889-90. [*There is no Imperial subvention for this service.*]

Year.	Expenditure by London County Council.			Expenditure by Common Council (out of the City estate revenues).			Total expenditure.
	Repairs, alterations, additions, etc.	Loan charges.	Total.	Repairs, alterations, additions, etc.	Loan charges.	Total.	
1	2	3	4	5	6	7	8
	£	£	£	£	£	£	£
1889-90 ...	15,727	(a) 60,175	75,902	1,349	354	1,703	77,605
1890-91 ...	23,976	58,734	82,710	2,376	240	2,616	85,326
1891-92 ...	19,933	58,340	78,273	2,132	240	2,372	80,645
1892-93 ...	24,371	78,467	102,838	1,587	240	1,827	104,665
1893-94 ...	18,950	66,555	85,505	267	240	507	86,012
1894-95 ...	31,932	70,573	102,505	3,053	240	3,293	105,798
1895-96 ...	32,933	79,236	112,169	881	240	1,121	113,290
1896-97 ...	32,854	74,905	107,759	141	240	381	108,140
1897-98 ...	35,455	92,250	127,705	154	240	394	128,099
1898-99 ...	39,732	99,867	139,599	679	220	899	140,498
1899-1900 ...	45,624	112,076	157,700	582	219	801	158,501
1900-01 ...	45,960	127,361	173,321	—	266	266	173,587
1901-02 ...	52,134	129,609	181,743	—	312	312	182,055
1902-03 ...	55,162	131,527	186,689	—	282	282	186,971
1903-04 ...	71,736	133,354	205,090	—	300	300	205,390
1904-05 ...	69,274	126,792	196,066	—	320	320	196,386
1905-06 ...	73,288	126,133	199,421	—	204	204	199,625
1906-07 ...	62,086	127,527	189,613	—	317	317	189,930
1907-08 ...	58,373	149,541	207,914	—	260	260	208,174
1908-09 ...	50,746	140,599	191,345	—	260	260	191,605
1909-10 ...	49,651	139,412	189,063	—	260	260	189,323
1910-11 ...	54,438	124,735	179,173	—	260	260	179,433
1911-12 ...	59,719	122,343	182,062	—	260	260	182,322

(a) Approximate.

NOTE.—Since the year 1899 no charge has fallen upon the Common Council for repairs, etc., the receipts for maintenance of patients being sufficient to meet the cost of maintaining the buildings.

Table F.—Police.

Net expenditure in respect of the Metropolitan and City of London Police (including pensions), with the amounts borne (1) by Imperial subventions; (2) by Rates and the Agricultural Rates grant, and (3) by the City's Estates, for each year from 1889-90. [*The amounts actually provided by rates, Imperial subventions, etc., have been taken as the net expenditure.*]

Year.	Net Expenditure.	Charge borne by Imperial Subventions (Metropolitan Police only).					Charge borne by rates and agricultural rates grants. (a)				Charge borne by City's estates.	
		Grant for salaries.	Assigned revenues.		Total.	Proportion of total charge.	Metropolitan Police.	City Police.	Total.	Proportion of total charge.	Amount.	Proportion of total charge.
			Grant towards maintenance.	Grant for pensions.								
1	2	3	4	5	6	7	8	9	10	11	12	13
	£	£	£	£	£	Per cent.	£	£	£	Per cent.	£	Per cent.
1889-90 ...	1,430,543	4,300	584,826	—	589,126	41·2	731,978	84,783	816,761	57·1	24,656	1·7
1890-91 ...	1,650,959	4,207	590,631	150,000	744,838	45·1	789,825	90,142	879,967	53·3	26,104	1·6
1891-92 ...	1,652,022	4,300	604,666	150,000	758,966	45·9	775,900	88,977	864,877	52·4	28,179	1·7
1892-93 ...	1,674,672	4,300	615,878	150,000	770,178	46·0	778,827	95,332	874,159	52·2	30,335	1·8
1893-94 ...	1,678,852	4,300	623,565	150,000	777,865	46·3	776,458	94,059	870,517	51·9	30,470	1·8
1894-95 ...	1,699,597	4,300	631,899	150,000	786,199	46·3	797,772	85,018	882,790	51·9	30,608	1·8
1895-96 ...	1,715,928	4,300	640,909	150,000	795,209	46·3	811,247	78,963	890,210	51·9	30,509	1·8
1896-97 ...	1,770,334	4,300	657,883	150,000	812,183	45·9	838,297	88,244	926,541	52·3	31,610	1·8
1897-98 ...	1,804,449	4,300	675,533	150,000	829,833	46·0	849,413	93,507	942,920	52·2	31,696	1·8
1898-99 ...	1,837,969	4,300	686,680	150,000	840,980	45·8	864,505	100,398	964,903	52·5	32,086	1·7
1899-1900 ...	1,888,457	4,750	701,682	150,000	856,432	45·4	888,937	110,208	999,145	52·9	32,880	1·7
1900-01 ...	1,940,955	5,200	720,575	150,000	875,775	45·1	918,734	113,105	1,031,839	53·2	33,341	1·7
1901-02 ...	2,026,982	5,200	753,562	150,000	908,762	44·8	966,534	115,623	1,082,157	53·4	36,043	1·8
1902-03 ...	2,096,048	5,146	782,688	150,000	937,834	44·8	993,015	124,928	1,117,943	53·3	40,271	1·9
1903-04 ...	2,117,818	4,700	800,565	150,000	955,265	45·1	1,008,577	114,535	1,123,112	53·0	39,441	1·9
1904-05 ...	2,163,918	4,700	819,511	150,000	974,211	45·0	1,034,419	115,437	1,149,856	53·2	39,851	1·8
1905-06 ...	2,227,329	4,700	839,321	150,000	994,021	44·6	1,069,116	124,454	1,193,570	53·6	39,738	1·8
1906-07 ...	2,293,957	4,700	865,137	150,000	1,019,837	44·5	1,101,964	132,650	1,234,614	53·8	39,506	1·7
1907-08 ...	2,350,783	4,736	888,770	150,000	1,043,506	44·4	1,122,313	143,627	1,265,940	53·8	41,337	1·8
1908-09 ...	2,305,281	5,200	850,000 ^b	150,000	1,005,200	43·6	1,135,170	122,860 ^d	1,258,030	54·6	42,051 ^d	1·8
1909-10 ...	2,538,269	5,125	956,867 ^b	150,000	1,111,992	43·8	1,263,418	119,033	1,382,451	54·5	43,826	1·7
1910-11 ...	2,545,956	4,900	880,609 ^b	150,000	1,035,509 ^c	40·7 ^c	1,335,472	129,443	1,464,915	57·5	45,532	1·8
1911-12 ...	2,690,795	4,900	891,376 ^b	150,000	1,046,276 ^c	38·9 ^c	1,446,279	150,017	1,596,296	59·3	48,223	1·8

(a) The amount borne by the agricultural rates grant is £4,390 per annum for each year from 1897-8.

(b) The amounts given are the amounts received during each year, which differ in these years from the amounts due in respect of each year. The following amounts due for these years were received in subsequent years, viz.: 1908-9, £52,779; 1909-10, £10,609; 1910-11, £19,961; 1911-12, £22,472.

(c) Excluding the special grant of £100,000 per annum in respect of the imperial and national services of the Metropolitan Police. If this were included, the percentage borne by Imperial Subventions would be: 1910-11, 42·9 per cent.; 1911-12, 41·1 per cent.

(d) City Police—up to 1907-8 the figures are for the year ended the previous December, since that date for the year ended March. The amount raised by rates for the first quarter of 1908 was £41,663, and the charge borne by the City's estates £10,785.

Table Fa.—Metropolitan Police Pension Fund.

Expenditure on pensions, gratuities, etc., out of the Metropolitan Police Pension Fund, receipts from stoppages from pay, etc., grant from the Assigned Revenues, and deficiency charged on the rate account for each year from 1890-91.

NOTE.—This table gives details of the Pension Fund, the charge for which is included in the previous table.

Year.	Expenditure out of Pension Fund.	Receipts in aid.				Net expenditure.	Grant from Assigned Revenues.	Deficiency charged on the rate account.
		Stoppages from pay.	Contributions in respect of men specially employed.	Fines and other receipts.	Total.			
1	2	3	4	5	6	7	8	9
	£	£	£	£	£	£	£	£
1890-91 ...	205,120	29,876	20,270	6,752	56,898	148,222	150,000	(a) 1,778
1891-92 ...	226,981	32,822	20,862	10,824	64,508	162,473	150,000	12,473
1892-93 ...	240,780	30,862	26,285	13,033	70,180	170,600	150,000	20,600
1893-94 ...	263,311	31,194	29,690	12,927	73,811	189,500	150,000	39,500
1894-95 ...	281,069	31,159	32,354	14,219	77,732	203,337	150,000	53,337
1895-96 ...	295,394	30,216	35,967	14,307	80,490	214,904	150,000	64,904
1896-97 ...	314,988	31,151	37,626	15,540	84,317	230,671	150,000	80,671
1897-98 ...	330,656	31,280	39,037	16,685	87,002	243,654	150,000	93,654
1898-99 ...	349,390	31,919	41,000	17,238	90,157	259,233	150,000	109,233
1899-1900 ...	366,008	33,168	43,209	18,761	95,138	270,870	150,000	120,870
1900-01 ...	381,465	31,581	44,914	16,374	92,869	288,596	150,000	138,596
1901-02 ...	388,695	35,034	46,101	17,880	99,015	289,680	150,000	139,680
1902-03 ...	406,131	35,008	47,686	17,799	100,493	305,638	150,000	155,638
1903-04 ...	421,067	36,082	48,447	21,384	105,913	315,154	150,000	165,154
1904-05 ...	434,026	36,067	49,809	20,190	106,066	327,960	150,000	177,960
1905-06 ...	450,218	36,396	50,670	19,474	106,540	343,678	150,000	193,678
1906-07 ...	464,432	38,623	52,901	18,800	110,324	354,108	150,000	204,108
1907-08 ...	489,745	38,746	53,757	18,923	111,426	378,319	150,000	228,319
1908-09 ...	516,365	39,697	56,913	19,895	116,505	399,860	150,000	249,860
1909-10 ...	536,675	39,145	58,321	17,833	115,299	421,376	150,000	271,376
1910-11 ...	558,897	39,881	(b) 66,720	19,499	126,100	432,797	150,000	282,797
1911-12 ...	570,812	41,225	(b) 68,885	20,074	130,184	440,628	150,000	290,628

(a) Surplus.

(b) Including £10,000 (proportion of £100,000) vote by Parliament for Imperial and National Services.

Table G.—Elementary Education.

Net expenditure on Elementary Education by the School Board for London and the London County Council, with the amounts borne (1) by Imperial subventions and (2) by Rates and the agricultural rates grant, for each year from 1889–90. [*The amounts actually provided by Imperial subventions, rates, etc., have been taken as the net expenditure.*]

NOTE.—The figures up to 1903–4 (School Board for London) include certain services now charged on the Higher Education account.

Year. 1	Net expenditure borne by rates and Imperial subventions. 2	Borne by Imperial subventions.		Borne by rates and the agricultural rates grant. (a)	
		Amount. 3	Percentage. 4	Amount. 5	Percentage. 6
	£	£		£	
1889–90	1,518,304	347,074	22·9	1,171,230	77·1
1890–91	1,769,178	352,380	19·9	1,416,798	80·1
1891–92	1,918,513	435,706	22·7	1,482,807	77·3
1892–93	1,991,528	563,973	28·3	1,427,555	71·7
1893–94	1,979,684	579,316	29·3	1,400,368	70·7
1894–95	2,128,276	623,728	29·3	1,504,548	70·7
1895–96	2,283,179	652,700	28·6	1,630,479	71·4
1896–97	2,485,889	692,366	27·9	1,793,523	72·1
1897–98	2,580,384	708,813	27·5	1,871,571	72·5
1898–99	2,528,592	692,191	27·4	1,836,401	72·6
1899–1900	2,796,497	732,461	26·2	2,064,036	73·8
1900–01	2,895,648	740,490	25·6	2,155,158	74·4
1901–02	3,161,175	811,977	25·7	2,349,198	74·3
1902–03	3,247,754	771,668	23·8	2,476,086	76·2
1903–04(b)	3,689,199	911,073	24·7	2,778,126	75·3
1904–05 (c)	3,336,247	1,041,484	31·2	2,294,763	68·8
1905–06	4,027,916	1,272,418	31·6	2,755,498	68·4
1906–07	4,340,125	1,342,185	30·9	2,997,940	69·1
1907–08	4,233,333	1,310,338	31·0	2,922,995	69·0
1908–09	4,348,587	1,356,176	31·2	2,992,411	68·8
1909–10	4,428,085	1,320,192	29·8	3,107,893	70·2
1910–11	4,546,920	1,322,489	29·1	3,224,431	70·9
1911–12	4,833,381	1,349,838	27·9	3,483,543	72·1

NOTE.—The figures up to 1903–4 exclude the grants paid to managers of voluntary schools, the amount of which grants is not available for London.

(a) The amount now borne by the agricultural rates grant is £702 per annum.

(b) From 26th March, 1903, to 30th April, 1904 (at which date the School Board ceased to exist).

(c) From 1st May, 1904, to 31st March, 1905.



Table H.—Higher Education.

Net expenditure by the London County Council on Higher Education, with the amounts borne by Imperial subventions and rates respectively, for each year from 1892-3 (the first year in which expenditure was incurred under this head. [*The amounts appropriated to Higher Education from the beer and spirit surtaxes and rates, together with the amounts received from grants, have been taken as the net expenditure.*])

NOTE.—Up to 1904-05 certain services now charged on the higher education account (viz., evening schools and pupil teacher centres) were administered by the School Board and the expenditure is included under the head of elementary education.

Year.	Net expenditure borne by rates and Imperial subventions.	Borne by Imperial subventions.				Borne by rates.	
		Appropriations from beer and spirit surtaxes.(a)	Other Government grants.	Total.	Per-centage.	Amount.	Per-centage.
1	2	3	4	5	6	7	8
	£	£	£	£		£	
1892-93 ...	30,000	30,000	—	30,000	100·0	—	—
1893-94 ...	—	—	—	—	—	—	—
1894-95 ...	85,500	85,500	—	85,500	100·0	—	—
1895-96 ...	57,000	57,000	—	57,000	100·0	—	—
1896-97 ...	88,500	88,500	—	88,500	100·0	—	—
1897-98 ...	135,000	135,000	—	135,000	100·0	—	—
1898-99 ...	160,000	160,000	—	160,000	100·0	—	—
1899-1900 ...	190,548	170,000	20,548	190,548	100·0	—	—
1900-01 ...	194,917	175,000	19,917	194,917	100·0	—	—
1901-02 ...	203,829	180,000	23,829	203,829	100·0	—	—
1902-03 ...	210,869	180,000	30,869	210,869	100·0	—	—
1903-04 ...	230,536	186,000	44,536	230,536	100·0	—	—
1904-05 ...	506,171	264,660	82,609	347,269	68·6	158,902	31·4
1905-06 ...	671,593	184,712	118,129	302,841	45·1	368,752	54·9
1906-07 ...	758,348	180,317	136,928	317,245	41·8	441,103	58·2
1907-08 ...	726,958	181,815	179,857	361,672	49·8	365,286	50·2
1908-09 ...	899,416	182,727	210,399	393,126	43·7	506,290	56·3
1909-10 ...	942,074	176,993(b)	208,570	385,563	40·9	556,511	59·1
1910-11 ...	947,567	176,993(c)	209,926	386,919	40·8	560,648	59·2
1911-12 ...	847,818	176,993	206,446	383,439	45·2	464,379	54·8

(a) The figures in this column differ somewhat from those in Col. 18 of Table C (i.) because the latter represent the appropriations from the income of each year, whereas the former (up to 1908-9) represent the appropriations made during each year.

(b) Including } £57,712 received in 1910-11 in respect of 1909-10, under the Revenue Act, 1911.

(c) Excluding }